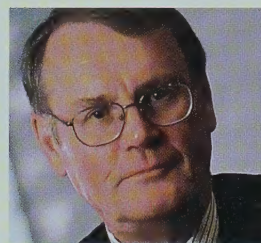
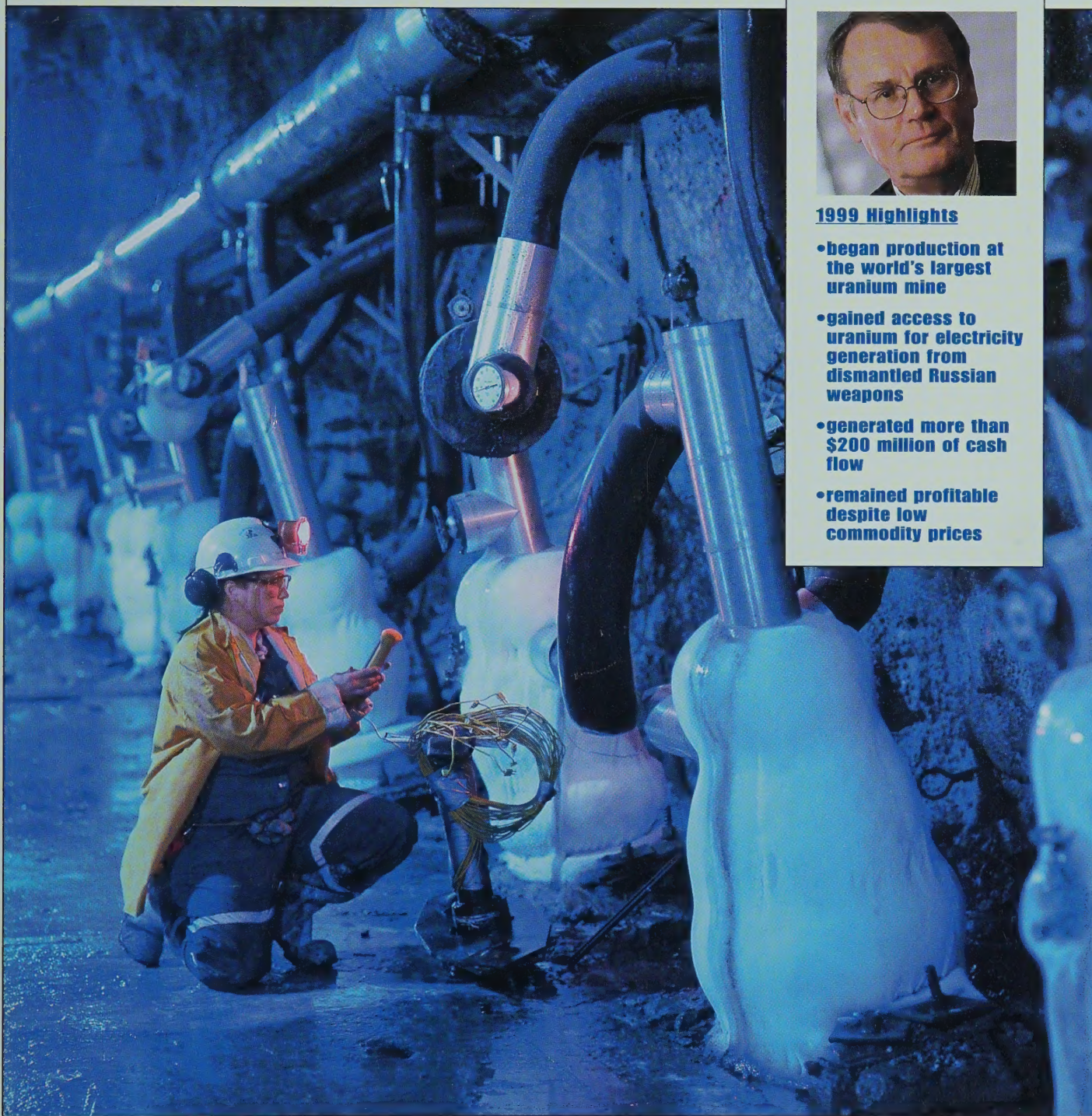


1999 ANNUAL REPORT

Fuel for the Future. "In 1999, we strengthened Cameco's position as the world's pre-eminent uranium producer and supplier."

**1999 Highlights**

- began production at the world's largest uranium mine
- gained access to uranium for electricity generation from dismantled Russian weapons
- generated more than \$200 million of cash flow
- remained profitable despite low commodity prices



McArthur River Mine

Underground

Cameco is mining the world's largest, high-grade uranium deposit at McArthur River.

One of the unique features of the mine is an ore processing circuit 640 metres below the surface. This circuit is operated remotely using conventional technologies adapted to the underground environment and designed to provide increased radiation protection from the high-grade ore.

Freezing

1

Freezing System

Groundwater inflow is controlled by freezing the ground using a system of pipes connected to a freeze plant on the surface. Mine foreman Mel DeForest checks the system on the 530 metre level.



530m

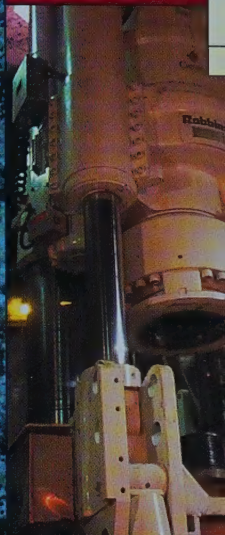
Freeze Holes

Mine technician Tobi Ann Long uses a thermometer to check the temperature of a freeze hole. The extremely cold temperature, as low as -40°C , creates frost build up, called "snowmen", on the pipes.



640m

Mining



From the 530 metre orebody into the tunnel, the reaming head is the hole. The ore falls to the underground processing

Ream Machine

Operator Al Turtle adds a rod to the ream machine.



Core Mining Method

— Shown above

— Pilot hole

Ore zone

← Reaming head

← Material Handling System

A pilot hole is drilled down through the rock at the 640 metre level. A 2.4 metre wide reamer is rotated as it is pulled up through the hole, creating a larger opening. The ore is then transported to the

Processing

3

Grinding

The ore is reduced to the consistency of fine sand in the grinding mill on the 640 metre level. Although the mill is similar to those used in above ground processing, this is the first time a grinding mill has been operated below ground.



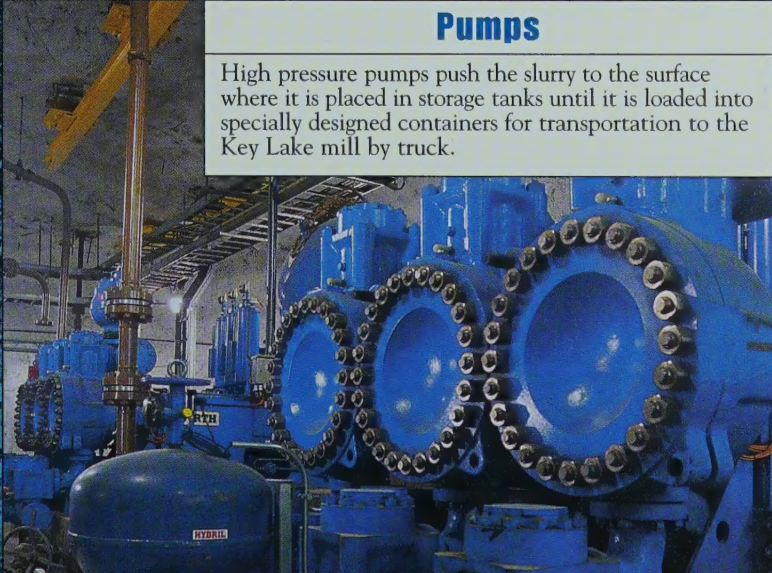
Thickening Chamber

The ore is thickened into a slurry, or mud, in twinned circular tanks, which are also on the 640 metre level. The tanks have been set in concrete for additional radiation shielding.



Pumps

High pressure pumps push the slurry to the surface where it is placed in storage tanks until it is loaded into specially designed containers for transportation to the Key Lake mill by truck.

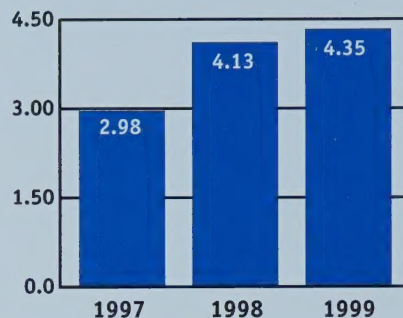


Cameco, with its head office in Saskatoon, Saskatchewan, is the world's largest uranium producer. Its operations include the world's largest, high-grade uranium mines, located in Saskatchewan, and Canada's only uranium processing facilities, located in Ontario.

Through its wholly owned American subsidiaries, Cameco obtains uranium from operations in Wyoming and Nebraska.

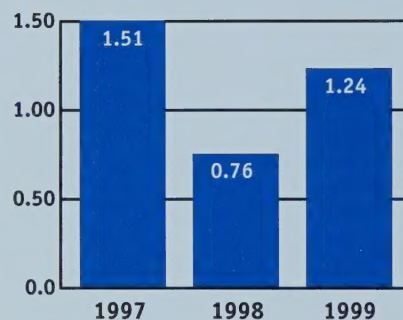
Cameco's uranium products are used to generate electricity in nuclear power plants around the world, providing one of the cleanest sources of energy available today. The company also mines gold in Kyrgyzstan in Central Asia. Cameco explores for minerals in North America, Australia and Asia.

1999 OVERVIEW



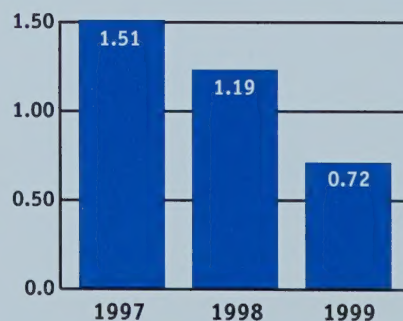
Cash Flow Per Share (\$)

Cameco posted record cash from operations in 1999, continuing the trend of strong cash generation.



Net Earnings Per Share (\$)

In 1999, Cameco's earnings were impacted by two significant items, a gain on the sale of some uranium interests and the writedown of certain gold assets.



Adjusted Net Earnings Per Share (\$ before special items)

While adjusted net earnings decreased in 1999, the ability to generate a profit in difficult markets is a reflection of Cameco's resilience.

Cameco set new records for sales, revenue and cash flow.

"...not many of our peers can see their commodity price drop by almost half and still generate profits."



Mining began at McArthur River in December 1999. A headframe, which dominates the site, rests over the Pollock shaft that is used to move workers, material and waste rock. The shaft is concrete lined, with a 5.5 metre inside diameter and has been sunk to 684 metres below the surface.

	1999	1998	Change
Financial (\$ millions except per share amounts)			
Revenue	\$ 742	\$ 719	+3%
Earnings from operations	\$ 79	\$ 104	-24%
Net earnings attributable to common shares	\$ 71	\$ 44	+61%
Cash from operations	\$ 249	\$ 237	+5%
Earnings per share	\$1.24	\$0.76	+63%
Cash flow per share	\$4.35	\$4.13	+5%
Weighted average number of paid common shares (millions)	57	57	0%
Total debt to capitalization	16%	24%	-33%
Production (Cameco's share)			
Uranium concentrates (million lbs U ₃ O ₈)	17	27 ¹	-37%
Uranium conversion (tU)	11,231	11,169	+1%
Gold (oz)	203,508	244,385 ¹	-17%

Currency is expressed in Canadian dollars unless otherwise noted.

¹ Includes production from Uranerz Exploration and Mining Limited and Uranerz U.S.A., Inc. beginning January 1, 1998.

A note to shareholders:

Unlike many resource companies, Cameco does not publish uranium production costs, sales volumes or realized prices. The company is one of only a small number of uranium producers in an industry with few buyers. Generally, our competitors—including state-owned enterprises or large companies in which uranium makes only a supplementary contribution to earnings—do not release this information. For Cameco to do so would compromise our competitive position and, ultimately, our shareholders' investment.

Forward-looking statements:

Certain statements contained in this annual report, including information under the headings: message to shareholders, marketing—nuclear business, uranium operations, gold operations, responsible management, and management's discussion and analysis, constitute forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors are discussed in greater detail in the management's discussion and analysis section as well as Cameco's annual information form on file with the US Securities and Exchange Commission and Canadian securities commissions.

1999 Targets and Results

1999 OBJECTIVES	ACHIEVED
Safety <ul style="list-style-type: none"> • reduce lost-time accidents 	<p>In 1999, the overall accident frequency rate was 0.50 per 200,000 hours worked, down from 0.55 recorded in 1998. These frequency rates reflect the performance of the employees of Cameco and its long-term contractors, and they compare favourably with 1.30 and 1.40 recorded by the mining industries in Ontario and Saskatchewan respectively.</p>
Cash Flow <ul style="list-style-type: none"> • generate cash flow to fund capital expenditures of \$200 million 	<p>In 1999, Cameco generated \$249 million from its operations and funded \$212 million of capital expenditures, primarily to bring the McArthur River mine into production.</p>
Sales <ul style="list-style-type: none"> • increase sales volumes by 10% 	<p>Compared with 1998, the sales volumes increased 14% for uranium concentrates and 11% for uranium conversion.</p>
Russian HEU <ul style="list-style-type: none"> • conclude an agreement with Russia providing for a predictable entry of highly enriched uranium (HEU) into the market 	<p>The historic agreement was signed in March 1999, concluding many years of eventful negotiations.</p>
Administration <ul style="list-style-type: none"> • decrease corporate-wide administration costs by 5% 	<p>Administration costs decreased 10% in 1999, compared with 1998.</p>
Exploration <ul style="list-style-type: none"> • decrease exploration costs by 25% 	<p>In 1999, Cameco's exploration expenses for uranium and gold were 26% lower than in 1998.</p>
Other Achievements	<p>In 1999, Cameco substantially completed the construction of the McArthur River mine and initiated the operational phase.</p> <p>As a result of the sale of certain assets, Cameco recorded an after-tax gain of \$72 million and used the \$239 million net proceeds to reduce indebtedness. At year end 1999, Cameco's debt to total capitalization was 16%, compared with 24% a year earlier.</p> <p>The Y2K issues were successfully dealt with at all Cameco facilities.</p>

Cameco is a long-term, core value investment. "...having a track record of generating profits and cash will come back into fashion."



An interview with Bernard Michel, Cameco's chair, president and chief executive officer.

Q. Why did your net earnings, before special items, decrease?

A. This was primarily due to lower realized prices for the commodities we sold—3% for uranium and 11% for gold. We were also making the transition to our new low-cost mine at McArthur River. Until it produces at full capacity, of 18 million pounds expected in 2002, our costs will be higher than we have experienced in the past.

In addition, our income tax burden, before special items, increased by 12% in 1999, compared to last year. The 1998 results benefitted from a lower tax rate as a larger proportion of our earnings were generated outside Canada from our gold operations.

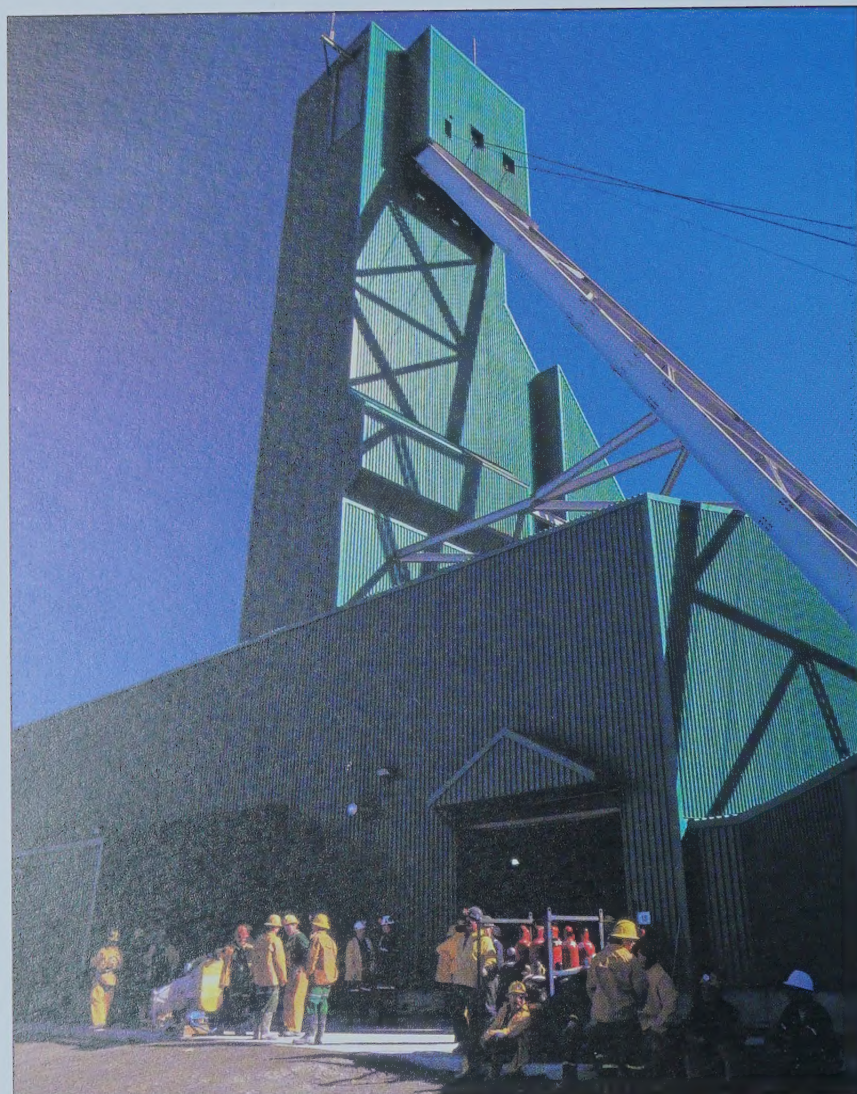
Yet, in 1999, one should note that Cameco remained a strong cash generator in the face of a very unfavourable market.

Q. What initiatives are you taking to improve Cameco's financial results?

A. We will continue to look for ways to reduce all costs. In addition, we will increase our production at McArthur River as quickly as possible to full capacity so we can benefit from the lower unit production costs at that operation. We will also reduce debt to lower our interest payments.

Q. Deregulation has resulted in fewer, but larger, nuclear utilities with more purchasing power. How will Cameco meet this marketing challenge?

A. As the premier supplier of uranium and conversion services for the last 11 years, we will continue to form



During a shift change at McArthur River, workers gather outside the headframe to wait for the cage which will take them underground to either the 530 metre level or the 640 metre level of the mine.

Q. After more than 11 years, mining is under way at McArthur River, the richest uranium deposit in the world. How will this make a difference to Cameco's financial results?

A. The McArthur River mine is extraordinary because of its large reserves and resources and high grades. The large reserves and resources mean that the depreciation by unit of production is going to be low. The high grade means that very few tonnes of ore extraction, say less than 150 tonnes per day, are enough to produce 18 million pounds of uranium per year.

The combination of high grade and large reserves means that McArthur River will, for the long term, position Cameco at the bottom of the cost curve.

Once McArthur River reaches full production of 18 million pounds U_3O_8 annually, we expect our costs to decline from historical levels, which were already among the world's lowest.

Q. Since the McArthur River mine is the richest in the world, why did you sell an interest to Cogema?

A. The sale to Cogema provided Cameco with the financial flexibility which comes with a low debt to capitalization ratio and we maintained a large 70% controlling interest in the project.

partnerships with these emerging mega-utilities. We are the world's largest producer and we have the diversified resources to meet utilities' need for secure, long term and predictable supplies for their growing fleet of nuclear plants.

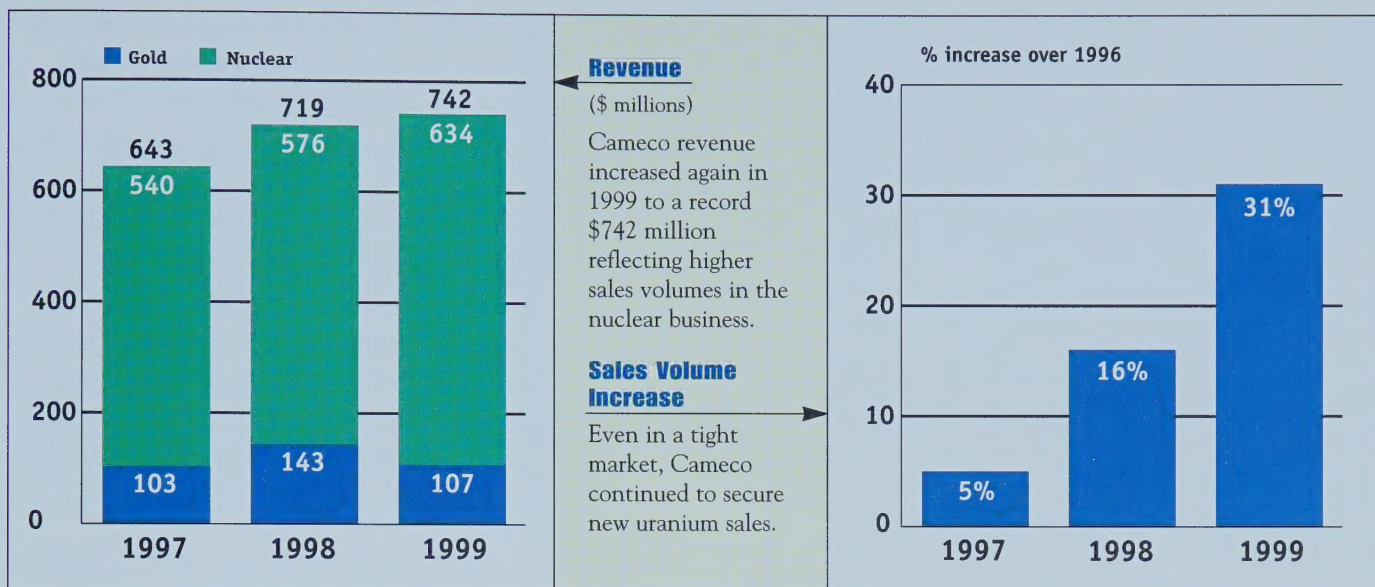
Q. Why is uranium production down from the record levels you set in 1998?

A. In 1998, we produced 27.5 million pounds U_3O_8 , but 1999 was a year of transition at our mines with production of only 16.8 million pounds. We depleted most of the reserves at Key Lake after 16 years of operation, reduced production at Rabbit Lake to half capacity for market reasons and began mine commissioning at McArthur River. In 2000, we expect to produce at about the same rate as in 1999 from our mines in Saskatchewan and the United States.

Q. What are the critical milestones for developing Cigar Lake?

A. We will conduct additional testing of the jet bore mining system in 2000. The system, which has demonstrated its capability in previous tests, has seen considerable improvements and we are anxious to perform final validation runs—in waste rock and in ore.

We plan also to finalize the mine construction licence application for submission to the regulatory authorities



Differences due to rounding

and to complete the environmental impact assessment of milling Cigar Lake ore in our Rabbit Lake facility.

The year 2000 should be an exciting year for Cigar Lake.

Q. The agreement you signed with Russia to purchase uranium from dismantled weapons did not appear to positively influence the uranium price or your share price. Do you see any benefits?

A. I did not expect the spot price to react immediately to this agreement as very little uranium from dismantled weapons can be sold to the market in the near term. Rather, I saw the conclusion of this agreement as a way to remove a major uncertainty which affected the long-term market. This agreement will provide for the orderly marketing of this material over the next decade and probably beyond.

I believe some investors were waiting to see an improvement in the uranium price as a result of this agreement. It did not happen and the softness in our share price partly reflects their disappointment with the lack of a uranium price recovery.

I remain convinced that this agreement will have a positive and durable impact on Cameco and on its core business.

Q. For years you talked about the gap between supply and demand in the uranium market. Why haven't we seen evidence of this in the uranium price?

A. Those investors who have followed Cameco for some time have heard me discuss the uranium market and the coming shortfall between supply and demand. I still firmly believe the uranium market will improve as a result of this shortfall.

I agree that it has been difficult to predict the timing of this market improvement.

I believe that three factors must be considered to put things into context:

First, the former Soviet Union republics entered the western world uranium market and sold large inventories at fire sale prices throughout the 1990s. Uranium was not the only commodity to suffer from these marketing practices in the past 10 years.

Second, the cold war ended and suddenly the large stocks of Russian and US uranium from weapons became potentially available and threatened an already weak market.

Third, many electric utilities changed their uranium inventory and procurement strategies as their markets became deregulated in the United States and elsewhere. As the utilities moved to open competition, they naturally looked for every opportunity to decrease their uranium inventories and, more than ever, their cost of uranium.

These three factors, over the years, have combined to make more uranium available to the market and delay the expected improvement in market prices.



During construction of the ore receiving station at Key Lake in 1999, millwrights Gary Smith and Wilf Binsfield worked on the pipes which carry ore slurry from the station to the grinding plant. Ore from the underground mine at McArthur River is milled at Key Lake.

Q. What evidence is there that the nuclear industry has a good future?

A. There are many signs which point to a good future for nuclear power. Today, more than 400 reactors generate some 17% of the world's electricity, about as much as all of the hydro stations taken together. This is a lot of electricity and replacing these reactors with something else is not a practical consideration and would raise serious questions:

- Why phase out nuclear technology, which has no greenhouse gas emissions?
- What could replace it and match that clean air standard?
- Who will provide the necessary capital?

Additionally, the world's plants are dramatically improving their performance and delivering very low-cost, clean electricity.

I am convinced that, as the world examines its energy options, it will adopt a balanced approach. This will vary from country to country and will continue to include nuclear technology because it is proven to be safe, clean and increasingly competitive as new, more efficient and less capital-intensive reactor designs become reality.

Q. With more than 365 million pounds of proven and probable uranium reserves including the world's best deposits, why is it necessary to keep funding an exploration program? What would Cameco do if it discovered another great uranium deposit like McArthur River?

A. As a leader in the uranium business, Cameco must maintain its commitment to uranium exploration. We want to secure control of the most cost competitive uranium sources in the future as well as in the present. I

It is interesting to note that these three factors were, in general, related to government actions. While political forces may still play a role, today we are dealing more with market forces, and we have a more predictable picture of how the new uranium industry will emerge.

The simple facts remain that the industry continues to produce half of what utilities consume, that almost no new mines are being developed and that inventories continue to be drawn down at high rates.

believe that we are on the way to reaching this goal by securing the best land position that there is in Canada and in Australia. I believe also that Cameco has an outstanding exploration team.

Given the long lead time in our industry, it is not too early to search for the next large, high-grade deposit which will be mined after McArthur River and Cigar Lake.

It takes a long time once a discovery is made to delineate an orebody, plan its development, assess its environmental impact, secure the regulatory approvals necessary for mine construction and bring it to production. In some cases, this process can take up to 20 years and it is not likely to get shorter.

I believe that the schedule achieved at McArthur River, which took only 11 years from discovery to production, is not likely to occur in the future.

Q. What gold price is required to meet senior debt obligations, including guarantees, at the Kumtor operation? Do you expect to assume any responsibility for Kumtor debt?

A. If the Kumtor operation realizes an average gold price of about \$220 (US) per ounce on all of its future production, the project would fully service its senior debt. Cameco does not expect to assume any responsibility for this debt beyond its one-third share.

Q. Does Cameco see a future in gold?

A. Gold, for Cameco, has been and is at present, a limited diversification. Since the startup of gold production in Kyrgyzstan in 1997, gold has contributed each year to Cameco's cash flow and earnings before special items.

Our strategy today is to minimize the gold risk for Cameco and to constantly evaluate the various options available to us.

I should add that Cameco Gold, in addition to Kumtor, is operating a number of promising exploration properties which should not be ignored when assessing the company.

Q. Why has Cameco's share price been under pressure the last few years?

A. I believe there are many factors that have affected the share price over the past several years, the greatest one being the declining spot price for uranium. Since 1994,

uranium prices have ranged from \$8.75 to \$16.50 (US) per pound U_3O_8 . The share price, which is strongly correlated to the uranium spot price, peaked at the same time as the uranium price.

Yet, in spite of this long period of price weakness, Cameco has remained profitable and generated strong cash flow. Not many of our peers can see their commodity price drop by almost half and still generate profits and substantial cash flow.

Q. Why didn't Cameco participate in the rally of North American mining stocks in the second half of 1999?

A. During 1999, Cameco's share price faced additional downward pressure from investors switching out of our shares to companies producing commodities with more near-term upside potential such as copper and nickel. It is not unusual for investors to look for the best short-term return. I expect, at some point, these investors will return to Cameco.

We have consistently said that Cameco is a quality, long-term investment and I firmly believe that this is still the case.

Q. What can you do to improve the share price?

A. I think that the best way to improve the share price is to be true to our corporate vision, to implement our corporate strategy and to manage our business wisely.

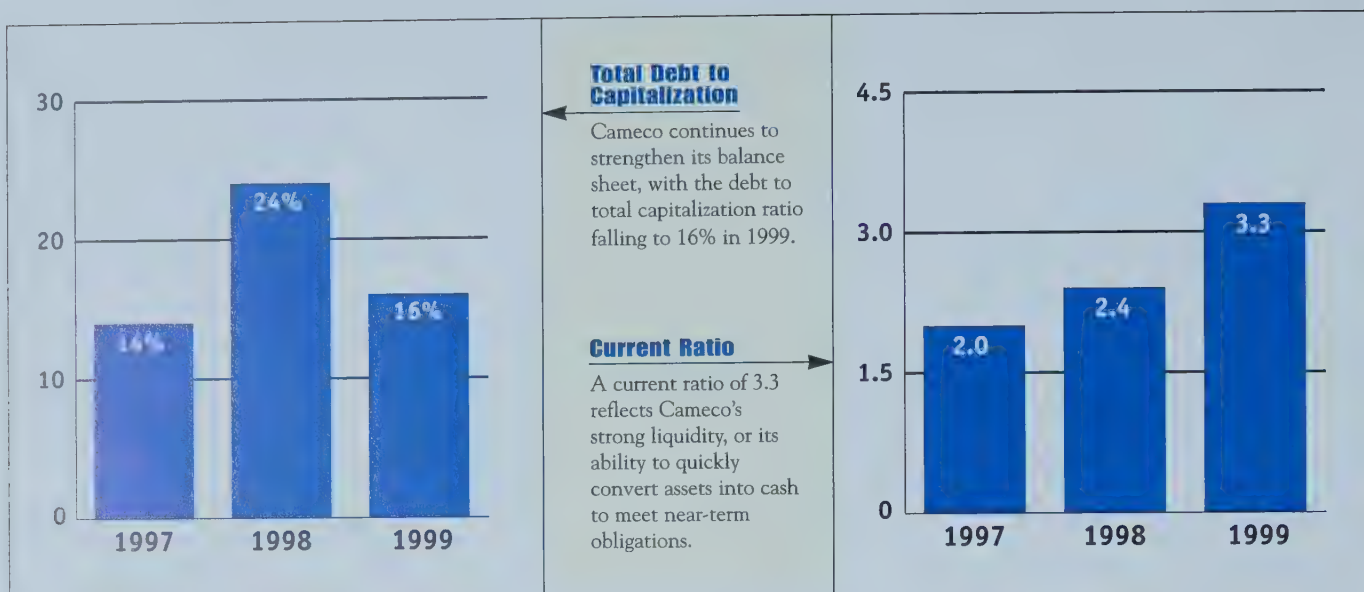
I believe in so doing we will deliver value and that it will be recognized by the market.

It is clear to me that the long-term value of the company is not reflected in the current share price of Cameco.

Cameco trades today at about its 1994 value, yet Cameco is a much different and stronger company than it was five years ago.

Let us compare the company with what it was then:

We have increased production per person by 18% at our Saskatchewan uranium mines, our uranium reserves by 76% and our production capacity by 56%. We have built the McArthur River mine—the world's best—and secured government approval to proceed with the Cigar Lake mine. We have concluded an historic agreement with Russia.



We have successfully built and now operate a very large gold mine.

During that time, we expanded our presence in the market, increasing U_3O_8 sales volumes by almost 100% and our western world market share by 89%.

Cameco has positioned itself as a world leader in the uranium business. At this point, the stock market is more focused on the allure of short-term gains, or on commodities with more near-term potential, regardless of the company's financial performance.

I believe that having a track record of generating profits and cash flow will come back into fashion.

Q. How many shares have you repurchased in 1999? How many shares do you plan to repurchase in 2000?

A. We repurchased 535,000 shares in 1999 at an average price of \$23.15 per share. We plan to continue purchasing shares because they represent significant value at their current price. But I cannot say how many as it will depend on a number of factors.

Q. What is the outlook for Cameco's results in 2000?

A. Our results will be affected by three major factors: the uranium price, the gold price and the success we achieve in ramping up production at McArthur River.

While Cameco sells uranium only on the long-term market, about 60% of the volume is affected by the spot price at the time of delivery. In 2000, a \$1.00 (US) change in the uranium spot price would change revenue by about \$17 million (Cdn), earnings by \$7 million (Cdn) and cash flow by \$13 million (Cdn).

Our average realized gold price in 2000 will be lower, based on existing hedges which reflect the continued weak gold price in 1999.

As such, we expect revenue to fall slightly in 2000 unless prices improve during the year.

At McArthur River our teams will make every effort to overcome the unavoidable challenges which such a project always presents. They will remain focused on production and costs. I am very impressed by what they are doing.

Q. Cameco generates a lot of cash flow even when uranium prices are low. What will you do with this excess cash in the future?

A. First, we will look at internal growth opportunities which still exist in Cameco and we will continue to look at synergistic acquisitions provided we can demonstrate that they achieve good returns to our shareholders.

As you know, our core business does not offer a rapidly expanding market and we recognize that our already large role limits our options somewhat.

Cameco is ready to take advantage of profitable opportunities to leverage its expertise in the nuclear business, in mining and in processing, to other profit centres.

In the future, Cameco may also return a significant portion of the cash it will generate to its shareholders.

As always our decisions will be guided by what is believed to be in the best interest of our shareholders.

Q. Why should I invest in Cameco based on the track record of your share price over the past two years?

A. At some point, I believe the market sentiment will return to value-based investments and Cameco is such an investment. We have a track record of producing results, we have a strong balance sheet and we are the market leader and low-cost producer of a valuable commodity.

Our industry today remains unique—it produces only half of what is used. The potential for a uranium price increase is excellent and not very dependent on economic cycles.

For that reason, I believe Cameco is a good, long-term investment in the resource sector.

Year 2000

2000 OBJECTIVES

- decrease our overall accident frequency rate which includes employees and long-term contractors
- implement a new environmental management system at all Cameco production facilities and achieve ISO 14001 certification at the Port Hope operation
- achieve commercial production at the McArthur River mine and produce about 11 million pounds U_3O_8
- complete final testing of the jet bore mining system in waste rock and ore at the Cigar Lake project and finalize a construction license application for submission to regulators in late 2000 or early 2001
- complete the environmental impact statement for the Rabbit Lake operation to allow for processing the majority of the Cigar Lake ore at Rabbit Lake
- reduce our uranium inventory by 10% as we ramp up production at the McArthur River mine
- increase gold production to 645,000 ounces at the Kumtor mine in 2000 and prepare the facility for 700,000 ounces of output in 2001

The uranium market is still under pressure.

"...but deregulation has resulted in outstanding improvements in reactor performance."

Minneapolis, which receives a portion of its electrical supply from nuclear power, became the headquarters for Cameco's marketing team in 1999. The United States is the world's largest market for uranium.



Nuclear Power

Uranium is the fuel nuclear reactors use to generate electricity. More than 400 nuclear reactors operate in 31 countries and account for about 17% of the world's electricity. The largest market is the United States which accounts for about 24% of all operating reactors and for 35% of western world uranium consumption. Nuclear power generates up to 22% of that country's electricity.

Key Emerging Trends

Nuclear Utilities Consolidate Faced with the challenge of deregulation, electric utilities worldwide are restructuring through mergers and acquisitions, achieving economies of scale and consolidation of expertise.

In the United States, some analysts have estimated that in 10 to 15 years there may be only 12 operators for the entire US nuclear power industry. This compares with 40 operators today.

This trend is also evident in other parts of the world. For example, in Germany, two pairs of companies announced plans to merge. When finalized, the resulting two companies will operate 12 reactors, accounting for 68% of German nuclear generating capacity.

The result of all this activity is a nuclear utility industry that is both more consolidated and better able to operate reactors from an economic and regulatory perspective.

Cameco will continue to offer a partnership with our customers. As the largest, low-cost producer, we can provide security of supply, flexibility, predictable costs and administrative efficiency that most other producers cannot.

Nuclear Plants Operate Better Deregulation has also resulted in many utilities upgrading the performance of their reactors. They have made outstanding progress in increasing capacity factors, thereby decreasing their unit cost of production.

In Ontario, for example, reactors functioned at 63% capacity in 1997. Today, that figure has soared to 81%.

This improved performance is one reason the four Pickering units currently shut down are scheduled to restart beginning in 2001, with all four units operational by the end of 2002.

In the United States, the average utilization factor for nuclear plants increased from 74% five years ago to 85% in 1999.

There is a direct relationship between capacity factors and uranium consumption. For example, if utilities around the world were able to run their plants at an average capacity factor of 85% compared to the current rate of 76%, uranium consumption would increase by about 13 million pounds per year.

Politics Override Nuclear Benefits In Germany, the presence of the anti-nuclear Green Party in the coalition government has dampened that country's prospects for nuclear power. Currently, the coalition is working on legislation that would phase out nuclear reactors after 30 years of operation, while continuing talks with utilities in an attempt to develop a consensus on how this will proceed. This proposal is being promoted despite the difficulty of replacing 28% of the country's electricity currently generated by nuclear power and despite a lack of competitive domestic energy resources. Germany has 19 operating reactors which consume about 10 million pounds of uranium annually.

Meanwhile Sweden, which began discussing nuclear phase-out in 1980, closed one reactor, Barseback-1, in 1999. Its companion unit, Barseback-2, is scheduled for closure in 2001. The shutdown occurred even though the majority of Swedes favoured the continuing operation of the nuclear plants. The closure will make it more difficult for Sweden to meet its greenhouse gas emission reduction targets. Barseback-1 consumed about 260,000 pounds U_3O_8 annually. Sweden now operates 11 reactors which consume about 4 million pounds annually and generate about 46% of Sweden's electricity.

Political decisions may lead to a few reactor closures in the short term, but countries still have to deal with economic and environmental realities, not to mention the need to meet growing electricity demand.



A UF_6 cylinder is placed on a trailer at the Port Hope conversion facility in preparation for the journey to an enrichment facility. After enrichment and further processing, UF_6 becomes the fuel used in most nuclear reactors.

Far Eastern Countries Build Reactors The growth region for nuclear power is the Far East, where four countries are expanding their nuclear programs.

Japan, South Korea, Taiwan and China today operate 78 reactors. Over the next 15 to 20 years, they plan to build about 45 new reactors—17 of which are already under construction. When these 17 are completed, it will mean an increase of 16,000 MWe or about 7 million more pounds of uranium consumed annually.

These four countries currently consume about 29 million pounds of uranium per year or about 17% of the world consumption.

Climate Change Highlights Nuclear Benefits The past year saw another round of negotiations to develop the mechanisms necessary to meet the 1997 Kyoto emission reduction targets. Nuclear power is getting more attention as one of the energy sources which can help meet the targets. In November 2000, a key international forum will be held to agree upon the emission reduction mechanisms.

It appears the competing energy sectors are realizing that each will have a role to play in the reduction of greenhouse gas emissions. For example, the US gas industry lowered its gas consumption forecast for electricity generation after a new assessment of nuclear energy in the United States. The Gas Research Institute's annual report cites several reasons for this, including growing acceptance of nuclear energy due to greenhouse gas concerns, increased efficiencies from the rationalization of ownership and operation of nuclear plants, and licence renewal expectations.

The United States increasingly relies on nuclear energy as a tool to reduce greenhouse gas emissions according to a report issued by the US Department of Energy. The report indicates the improved performance of nuclear power in the United States reduced carbon dioxide emissions in 1998 by 100 million tonnes. This 100 million tonnes accounts for almost half of the reductions reported throughout the United States in 1998.

The International Nuclear Forum reports this trend is evident in other parts of the world.

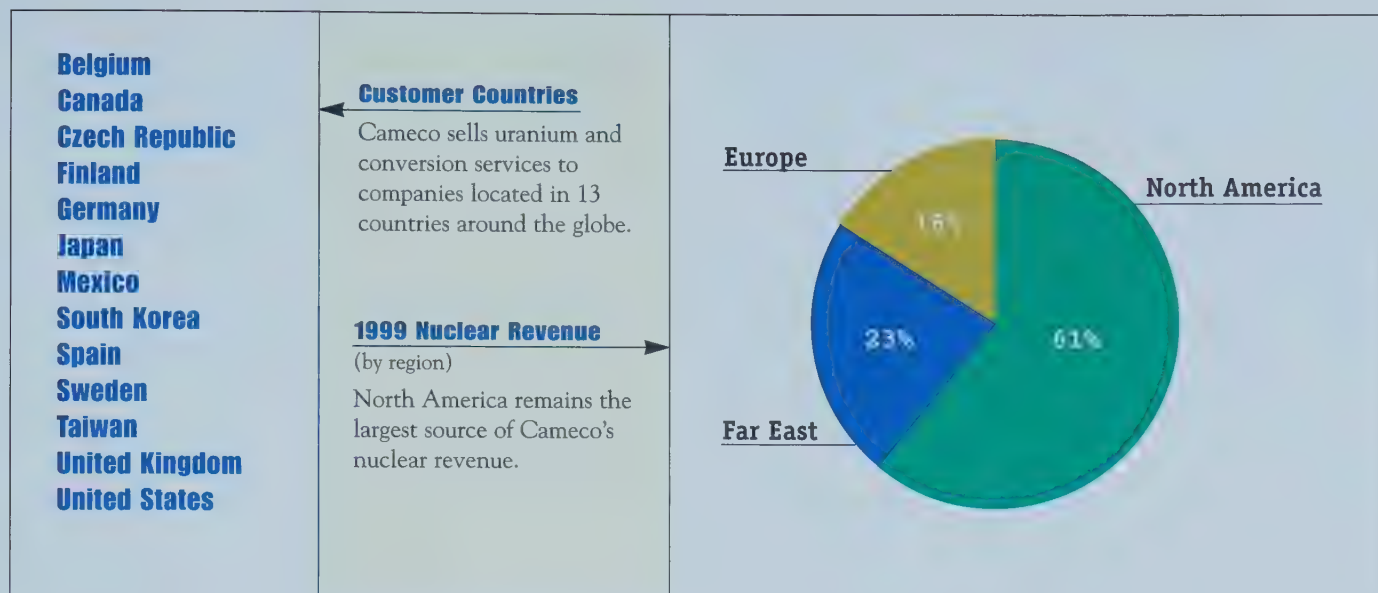
In western Europe, the use of nuclear energy has avoided carbon dioxide emissions by a total of 2.3 billion tonnes from 1973 to 1995. In 1995 alone, European electric utilities would have emitted almost twice as much carbon dioxide without nuclear generating capacity.

The Far East reduced its carbon emissions by 800 million tonnes from 1973 to 1995 and would have emitted 29% more carbon dioxide in 1995 if not for their nuclear generating capacity.

Nuclear power will play a growing role in helping nations achieve their Kyoto and other emission reduction targets.

Uranium Market

Spot Market Still Volatile On average, about 15% of the western world's uranium requirements are procured



in the spot market for delivery within 12 months of contract signing.

In 1999, about 24 million pounds U_3O_8 , or 17% of the western world's uranium consumption, were sold on the spot market. This compares to 11 million pounds in 1998.

The uranium spot price ended the year at \$9.60 (US) per pound, compared to \$8.75 (US) per pound at the end of 1998. The spot price had increased to \$10.85 (US) per pound U_3O_8 by March 1999 and despite the increase in spot market demand from the previous year, the presence of cash-hungry inventory sellers caused the spot price to soften over the remainder of 1999.

Conversion Market Weakens Spot prices for UF_6 conversion services weakened by 27% to end 1999 at \$2.55 (US) per kilogram uranium as UF_6 . This sharp decline reflected the availability of secondary supplies of UF_6 conversion as a result of the privatization of the United States Enrichment Corporation and the implementation of the US/Russia highly enriched uranium agreement.

Long-Term Market Reflects Low Volume Some 85% of all uranium is sold under long-term, multi-year contracts with deliveries starting one to three years after signing.

The long-term market is important to Cameco as the company has not relied upon sales in the spot market during the last 11 years.

Long-term contract price indicators published in the industry fell by 10% during 1999 to \$10.00 (US) per pound U_3O_8 , reflecting the low level of long-term

contracting activity in 1999 and the aggressiveness of some suppliers.

Volume contracted in the long-term market in 1999 was about 60 million pounds U_3O_8 , compared to 50 million pounds in 1998. By comparison, in 1996, long-term contracting volume was 116 million pounds U_3O_8 and it was 72 million pounds in 1997. Annual western world consumption is about 142 million pounds U_3O_8 .

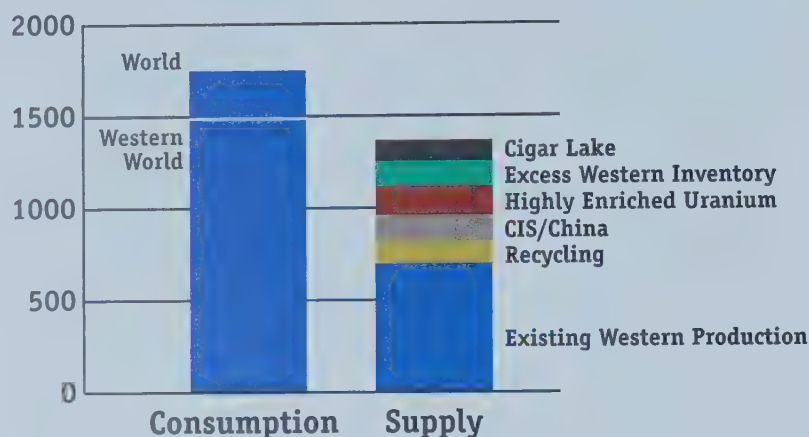
Long-term contracting activity started out slowly during 1999, with many utilities covering their near-term needs in the spot market. More than two-thirds of the total long-term volume was contracted in the fourth quarter of 1999, with a significant portion of this volume involving a single transaction.

Uranium Industry Developments

Package Deals Gain Popularity Utilities increasingly turned to package deals of EUP (enriched uranium product which is a combination of uranium, conversion and enrichment) during 1999, in large part as a result of aggressive marketing by one enricher holding a large uranium inventory. EUP contracts accounted for about 19% of all spot market volume and about 50% of the long-term contract volumes.

Cameco ensured access to this growing market by forming alliances with enrichers. Whether EUP sales will continue at this level in the future will depend on whether enrichers continue to have access to uranium inventory and whether the packaged product is competitive with the individual components.

2000-2009



Uranium Supply/ Demand

(million lbs U_3O_8)

McArthur River, which is included in existing western production, and Cigar Lake uranium is needed to meet requirements in the next decade.

Inventory Drawdown Continues The drawdown of excess western world inventory held by utilities, producers, governments and others was approximately 40 to 45 million pounds in 1999, similar to the previous year. Excess western world inventories¹ at year end are estimated to be approximately 150 million pounds U_3O_8 .

Western World Uranium Consumption Decreases

In 1999, western world uranium consumption was estimated to be 142 million pounds U_3O_8 compared to 144 million in 1998. The decrease is due to a number of factors and is expected to be temporary.

World Uranium Production Falls In 1999, world production was estimated to be about 82 million pounds U_3O_8 , a decline of 7% from 1998. Western world production fell by 10% to about 65 million pounds. Production startups and a completed mine expansion are expected to cause an increase in world output during 2000.

Uranium Market Outlook

Expect Some Volatility In 2000 Long-term market demand is expected to pick up in 2000 while spot market demand may remain at the same level as 1999.

In addition, some inventory sellers from the past year may have satisfied their near-term needs for cash and as such, may be less aggressive in the market in 2000.

It is difficult to forecast how the buyers and sellers will actually carry out purchasing and selling activities in 2000,

however, some industry experts are predicting a modest improvement in the spot price through 2000.

Long-Term Fundamentals Are Favourable Despite some negative developments in 1999, the long-term uranium market outlook remains positive and new mine development will be needed to meet anticipated uranium requirements.

Consumption Will Grow Modestly Over the 10-year period from 2000 to 2009, cumulative world consumption is expected to total 1.7 billion pounds U_3O_8 . Of that, western world consumption will account for about 85%.

Overall, in spite of projected reactor closures, uranium requirements are expected to grow by about 9% over the next 10 years.

New Supply Will Be Needed Cameco assumes that the requirements of the Commonwealth of Independent States (CIS) and the vast majority of Eastern European countries' requirements will be filled from domestic sources or Russian inventories, while western world requirements will be filled by a number of different sources.

The largest source of supply comes from existing western world mines. This source includes operating mines and expansions of existing mines.

Existing western mines will fill only 35% of western requirements over the next 10 years because the reserves of a number of these mines will be depleted. In Canada alone, depletion of the Key Lake, Rabbit Lake and Cluff Lake mines is expected to remove about 28 million pounds of annual uranium production.

¹ Cameco's estimate of the amount of inventory held by the US government and by western world companies which is in excess of the inventory held for security of supply and normal business operations.

Recycled uranium is expected to contribute about 8% or approximately 124 million pounds U_3O_8 over the period.

Production from the CIS and China, plus Russian inventory drawdown, are expected to hold relatively stable and supply a total of 145 million pounds U_3O_8 over the decade.

Uranium derived from the dismantling of nuclear weapons from Russia and the United States may provide about 10% of the western world's requirements over the next decade. Cameco and two western companies have an agreement in place as a result of which the majority of this material should enter the long-term market in an orderly fashion.

Excess western inventories are expected to be drawn down over the period.

Even with all these sources of supply, new mines will be needed to fill the gap between supply and demand.

Cameco expects McArthur River and Cigar Lake, when they reach the full combined annual production of 36 million pounds U_3O_8 , to provide about two-thirds of the new uranium mine supply needed.

The remaining new uranium mine production is likely to come from other deposits in Canada, Australia, the United States and Kazakhstan. These deposits generally have smaller reserves and much lower grades than the high-grade deposits controlled by Cameco. As such, it is anticipated that the new supply will come at a higher cost, which is expected to put upward pressure on the uranium price over the 10-year period. Uranium prices would have to rise significantly above the 1999 level to provide an adequate return and incentive for these higher-cost mines to be built.

Cameco's Nuclear Business

Marketing Overview Cameco supplies uranium concentrates (U_3O_8) and uranium conversion services to electric utilities around the world. Uranium concentrates must be refined and converted to natural uranium hexafluoride (UF_6) or uranium dioxide (UO_2) before the contained uranium can be used as nuclear fuel.

UF_6 is the form of uranium required for processing at enrichment plants. Following enrichment, UF_6 is converted to UO_2 which is used to fabricate the enriched fuel pellets required by the majority of the world's nuclear plants, which are light-water reactors.



Rabbit Lake, Saskatchewan's longest operating uranium production facility, produced 7 million pounds U_3O_8 in 1999. After production begins at the Cigar Lake project in about 2003, the majority of the ore will be milled at the Rabbit Lake site.

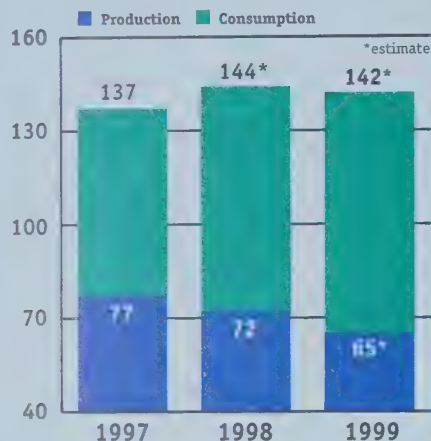
Non-enriched (natural) UO_2 is used to manufacture fuel pellets used in heavy-water reactors such as the Candu reactors.

Record Sales For Uranium In 1999, Cameco's uranium concentrate and uranium conversion sales increased by 14% and 11% respectively, compared to 1998.

Also during the year, Cameco concluded long-term contracts for about 25 million pounds U_3O_8 to be delivered through the next decade. This compares with contracts for 20 million pounds signed in 1998 and reflects the low level of long-term market demand in the last two years.

Cameco has more than 100 million pounds of U_3O_8 and more than 48,000 tonnes uranium for conversion services under contract with utilities around the world for delivery during the next decade.

Cameco offers many benefits to its customers, including competitive pricing, security and diversity of supply as well as "one-stop shopping" for uranium concentrates and conversion. Cameco strives to offer the most flexible, dependable and value-added customer service of all uranium producers.



Western World Market

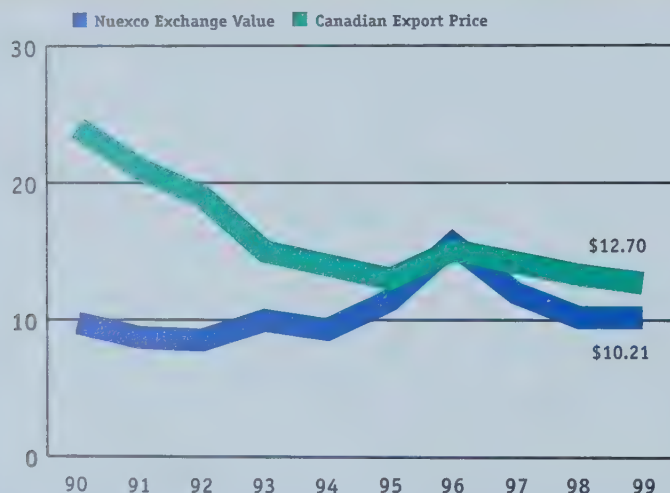
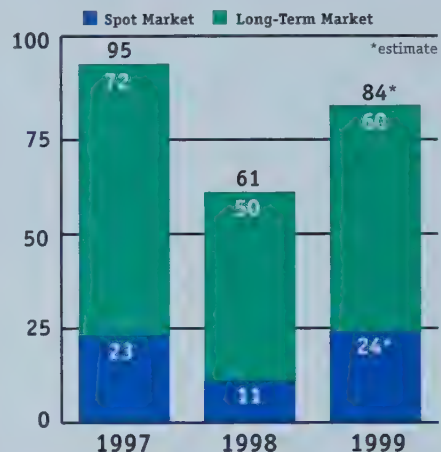
(million lbs U_3O_8)

Uranium consumption is more than double production.

Western World Contract Volumes

(million lbs U_3O_8)

The long-term market accounted for more than 70% of the contracted uranium in 1999.



Uranium Price Comparison

(annual average \$US/lb U_3O_8)

Cameco typically receives a higher uranium price by contracting in the long-term market where utilities look for security of supply.

Canadian Export Price The average price of uranium from Canada, delivered by Canadian companies to their export customers. More than 99% of these deliveries were under long-term contracts.

Nuexco Exchange Value A uranium spot market price indicator. Spot market deliveries are scheduled within one year of the transaction date.

World Uranium Production

(estimated 1999)

Cameco's 17 million pounds of U_3O_8 production represented more than 20% of world output.

million lbs U_3O_8

Canada 21

Other 5

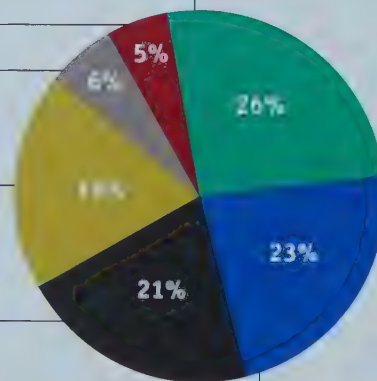
US 5

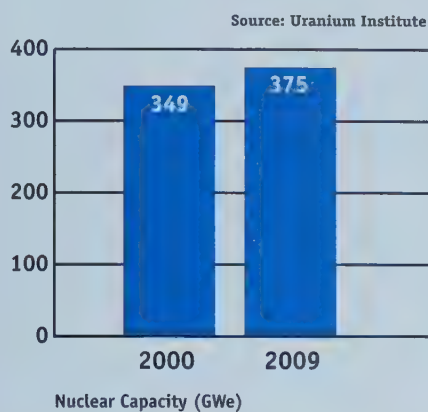
Australia 16

CIS/China 17

Africa 18

Total 82





Nuclear Capacity

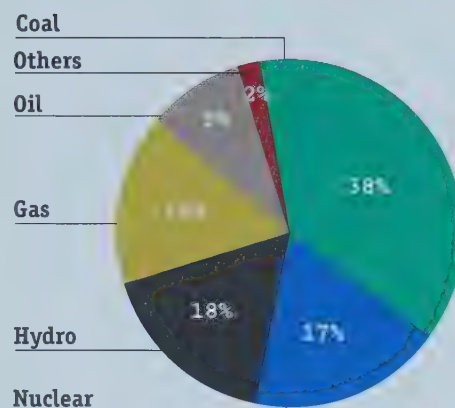
(GWe)

Nuclear power generation is expected to increase by 7% over the next decade.

World Electricity Generation

(1997)

Nuclear energy accounts for 17% of the world's electricity demands.



Nuclear Reactors

	Reactors ¹ In Operation	Reactors ¹ Under Construction	Nuclear ² Electricity (%)
Argentina	2	1	10
Armenia	1	0	25
Belgium	7	0	55
Brazil	1	2	1
Bulgaria	6	0	42
Canada	14	0	12
China	3	8	1
Czech Republic	4	2	21
Finland	4	0	27
France	58	0	76
Germany	19	0	28
Hungary	4	0	36
India	10	8	3
Iran	0	2	-
Japan	53	3	36
Lithuania	2	0	77
Mexico	2	0	5
Netherlands	1	0	4
North Korea	0	2	-
Pakistan	1	1	1
Romania	1	1	10
Russia	29	7	13
Slovak Republic	5	1	44
Slovenia	1	0	38
South Africa	2	0	7
South Korea	16	4	41
Spain	9	0	32
Sweden	12	0	46
Switzerland	5	0	41
Taiwan	6	2	25
Ukraine	14	5	45
United Kingdom	35	0	27
United States	103	0	19
Total	430	49	17%

¹ 1999

² 1998

Cameco enters a transition period.

"The McArthur River mine at full production is expected to improve our low-cost base."



The mined-out Deilmann open pit at Key Lake is now a tailings management facility, constructed in the basement rock of the pit. A barge and pipe system is used to deposit tailings from McArthur River ore into the flooded pit.

Profile

Cameco operates and owns a controlling interest in the world's largest uranium mines and mills, McArthur River, Key Lake and Rabbit Lake, located in northern Saskatchewan. Through its wholly owned US subsidiaries, the company also obtains uranium production from

operations at Highland in Wyoming and Crow Butte in Nebraska.

Cameco is an integrated, value-added uranium producer with refining and conversion plants in Ontario.

Following Cameco's record production in 1998, the transition to a new high-grade mine and market forces resulted in a planned decrease in output to 17 million pounds. In 1999, the company accounted for about 20% of the world's total uranium production.

The company's future is secured by more than 365 million pounds of proven and probable reserves primarily from its share of McArthur River and Cigar Lake, the two largest high-grade known uranium deposits in the world.

Mining Operations

McArthur River/Key Lake McArthur River is the world's largest high-grade uranium mine. Ore from the mine is transported to Key Lake for processing.

Milling stockpiled ore from mined-out deposits on site, Key Lake produced 9.7 million pounds U_3O_8 in 1999 maintaining its position as the world's largest uranium operation.

Radiation Safety

at McArthur River

Radiation occurs naturally everywhere on earth. Levels of this natural, or background radiation, vary greatly from place to place. Radiation has been studied extensively, is easily measured and can be safely managed. Uranium is a naturally radioactive substance.

The main sources of radiation exposure during mining at McArthur River are from radon, a radioactive gas which is found in the groundwater associated with the uranium ore, and from the radioactive ore itself. Cameco has made radiation safety an integral part of the mine's design and operation.

The following are a few examples of how radiation exposures are managed at McArthur River.

Shielding

Shielding with barren rock, concrete and metal protects against radiation. At McArthur River, walls of rock have been left between work areas and the orebody. The underground processing equipment has been designed to provide additional shielding. The thickener tanks, for instance, in which the uranium ore is mixed into a slurry, have more than 35 centimetres of concrete shielding to reduce gamma radiation.

Time, Distance and Containment

Computer systems are used to remotely monitor and operate the underground processing equipment which provides a controlled environment for conveying the ore. The equipment has also been designed to accommodate regular shutdowns. Therefore, employees spend a minimal amount of time near the mining and processing areas during operations and they work as far away from radioactive materials as possible.

Ventilation

Radon exposure is minimized by the effective use of ventilation which brings fresh air to every workplace underground. This helps prevent the buildup of radon and dust. In addition, an exhaust ventilation system is connected to processing equipment to help keep radon and dust out of the workplace. This is an example of a multiple safety system.

Monitoring

Work areas underground are monitored continuously for radiation and radon. Underground workers wear personal monitors which record cumulative gamma doses as well as radon progeny and radioactive dust exposures. The results are reported to regulators and to Cameco employees.



At the Rabbit Lake laboratory, Lori Burnouf analyzes the uranium content in the mill's product which is a uranium concentrate commonly called yellowcake.

During the two years of mine construction at McArthur River, more than 2,500 truck loads of materials were transported to the remote site. Construction of the mine was completed and operating approvals were received from federal and provincial government authorities in 1999. Approvals were also received to transport and process McArthur River ore at the Key Lake mill, with its expanded capacity, and to manage the resulting tailings at the site.

Mining began at McArthur River in December 1999 with the first ore from the site processed at the Key Lake mill in early January 2000. During mine startup, also known as mine commissioning, the operation of processing and mining equipment is evaluated, and modified if required, as ore production is ramped up. While mine commissioning is expected to be completed in 2000, the rampup to full production of 18 million pounds U_3O_8 annually is planned for the

URANIUM MINING ¹

	Key Lake ²		Rabbit Lake ³		Highland ⁴		Crow Butte ⁵	
	1999	1998	1999	1998	1999	1998	1999	1998
Tonnes milled	215,703	323,832	204,590	441,430	n/a	n/a	n/a	n/a
Production (million lbs U_3O_8)	9.7	14.0	7.0	11.7	0.9	1.1	0.8	0.7
Recovery (%)	96.50	97.40	97.13	96.93	n/a	n/a	n/a	n/a
Average mill head grade (% U_3O_8)	2.07	2.01	1.56	1.23	n/a	n/a	n/a	n/a
Reserves at year end ⁶ (million lbs U_3O_8)	2.2	12.4	29.9	37.1	7.3	7.9	9.0	11.3
Cameco employees	277	285	155	286	54	63	39	44

¹ Total production for the year ending December 31.

² Key Lake: Cameco is operator and owns 83%. Located in northern Saskatchewan.

³ Rabbit Lake: Cameco is operator and owns 100%. Located in northern Saskatchewan.

⁴ Highland: Through its wholly owned US subsidiaries, Cameco is operator and owns 100%. Since Highland processes in situ leach reserves in Wyoming, not all comparisons with Saskatchewan uranium operations are applicable. Power Resources, Inc. is operator.

⁵ Crow Butte: Through its wholly owned US subsidiaries, Cameco (90%); KEPCO Resources America Ltd. (10%). Since Crow Butte processes in situ leach reserves in Nebraska, not all comparisons with Saskatchewan uranium operations are applicable. Crow Butte Resources, Inc. is operator.

⁶ The difference in year-end reserves is due to production as well as inventory adjustment and/or changes in estimated reserves. For further information, see the reserve tables on pages 24 and 25.

next two years. In 2000, production from McArthur River is targeted at 11 million pounds U_3O_8 , with the majority of the output to occur in the latter part of the year.

In 1999, Cameco completed a transaction in which COGEMA Resources Inc. acquired a 17% interest in Key Lake and an additional 14% interest in McArthur River. Cameco now owns 83% of Key Lake and 70% of McArthur River.

Rabbit Lake/Cigar Lake In 1999, Rabbit Lake, the longest operating uranium facility in Saskatchewan, produced 7.0 million pounds U_3O_8 . Operations at Rabbit Lake's Eagle Point underground mine were suspended in early 1999.

Cigar Lake is the world's second largest high-grade known uranium deposit in the world. The majority of the ore will be transported to Cameco's Rabbit Lake operation for milling and tailings management. Production is expected to begin in 2003.

Testing of the jet boring mining system was conducted at Cigar Lake in 1999, confirming the potential of this innovative mining method. Further testing of this method will be conducted in 2000, both in waste rock and in ore, subject to regulatory approval.

Preparation of the environmental impact statement (EIS) for the processing of Cigar Lake ore at the Rabbit Lake site began in 1999 with community meetings in northern Saskatchewan and technical research. In 2000, the EIS document will be submitted to the regulatory agencies of both levels of government. Cameco owns 50% of Cigar Lake and 100% of Rabbit Lake.

Highland/Crow Butte Production at the Highland in situ leach operation in Wyoming was more than 900,000 pounds U_3O_8 in 1999. Record production was



Kent Graas, an environment technologist at Cigar Lake, reads the filter from a high volume sampler which provides data on dust intake levels in the area around the mine shaft.

achieved at the Crow Butte in situ leach operation in Nebraska, with more than 800,000 pounds U_3O_8 produced for the year.

Work continued on the permitting process of new mining areas in Wyoming, including Gas Hills, during 1999. The development schedule for these properties will depend on market conditions.

In 1999, Cameco, through its US subsidiaries, entered into an agreement to acquire an additional 10% of the Crow Butte operation. Completion of the acquisition is expected in March 2000 at which time Cameco will own 100% of Crow Butte. Cameco already owns 100% of the Highland operation.

The Highland and Crow Butte operations make Cameco one of the largest uranium producers in the US.

Fuel Services

Cameco is owner and operator of Canada's only uranium refining and conversion facilities, located in Ontario. Operations include the Blind River facility, the world's largest refinery where uranium concentrates are processed into high-purity uranium trioxide (UO_3), an intermediate product used as feed at the company's Port Hope conversion plants. The Port Hope facility is one of only four commercial suppliers of uranium hexafluoride (UF_6) in the western world. UF_6 , after enrichment and further processing, becomes the fuel used in most nuclear reactors. The Port Hope plant is also the only commercial supplier of natural uranium dioxide (UO_2) which is used as fuel for Candu reactors. In 1999, production of UO_3 at Blind River was more than 11,000 tonnes, as was the combined production of UO_2 and UF_6 at Port Hope. Cameco owns 100% of both facilities.

Technology Development and

Special Projects In June 1999, the United States Enrichment Corporation (USEC) suspended the Atomic Vapour Laser Isotope Separation (AVLIS) enrichment project. Cameco was partnered with USEC in developing the process to supply metal grade feed to the project.

USEC refunded Cameco's \$3 million contribution to the project.



At the end of the Blind River production circuit, process operator Jim Kendrick uses an overhead crane to move a tote bin into place so it can be filled with UO_3 . Blind River is Canada's only uranium refining facility.

Uranium Exploration

Cameco's exploration program targets high-grade uranium deposits. Discovery of rich deposits, typically buried hundreds of metres below the surface, requires careful

FUEL SERVICES

	Blind River (UO_3) ¹		Port Hope (UF_6 and UO_2) ¹	
	1999	1998	1999	1998
Production (tU)	11,360	12,031	11,231	11,169
Cameco employees	98	96	272	271

¹ Cameco is operator and owns 100%.

analysis of geoscientific information and the drilling of prospective targets. In 1999, Cameco spent more than \$11 million on uranium exploration, a planned reduction of 26% from the previous year. Activity continued to concentrate on the Athabasca Basin in northern Saskatchewan and the Arnhem Land region of the Northern Territory in Australia. Cameco and its joint-venture partners had a total land holding of 3.3 million hectares at the end of the year, compared to 3.4 million hectares in 1998.

Saskatchewan

Cameco is involved in a number of joint venture exploration projects in northern Saskatchewan's uranium-rich Athabasca Basin. One of the company's largest and most active projects is the Dawn Lake property which includes the La Rocque Lake claims where high-grade uranium mineralization was discovered during the 1999 exploration program. The results of three drill holes, with uranium grades up to 29.9% U_3O_8 , are considered encouraging, but the results were not sufficient to draw conclusions as to the economic significance of the mineralization. Further drilling will be conducted on the claims in 2000 to test the possible extent of the mineralization. Also on the Dawn Lake project, additional drilling is planned on mineralized zones originally discovered by a previous operator in 1979.

Australia

In Australia, the majority of Cameco's exploration land holdings are early stage projects in the Arnhem Land region of the Northern Territory. The company holds or has rights to interests of between 50% and 100%. No economic uranium occurrences were found in 1999.

Kazakhstan

Inkai is an in situ leach project located in Kazakhstan in Central Asia. The project is owned and operated by



Geologist Darcy Hirsekorn examines a non-uranium bearing core sample from the Cigar Lake project. Geologists use these samples to become familiar with the type of rock formations and mineralizations found near the ore zones at various sites.

Joint Venture Inkai of which Cameco holds a 60% interest. The remaining 40% interest is held by KazAtomProm, a company owned by the government of Kazakhstan.

During 1999, the joint venture was involved in negotiations with the government on a subsoil use contract related to the extraction and recovery of minerals. Once the contract is concluded, necessary government approvals to proceed with test mining can be granted. Subject to these approvals, further work, including test mining, is expected to be conducted in 2000. Cameco has agreed to provide funding of up to \$40 million (US) to the joint venture for project development over the next few years.

URANIUM RESERVES¹

(AS OF DECEMBER 31, 1999)

	Mining Method ²	Tonnes (thousands)	Average Grade (% U ₃ O ₈)	Total (million lbs U ₃ O ₈)	Cameco's Share (million lbs U ₃ O ₈)
Proven Reserves					
Cigar Lake	UG	345	22.51	171.2	85.7
Crow Butte	ISL	—	—	4.0	3.6
Gas Hills	ISL	—	—	10.6	10.6
Highland	ISL	—	—	6.4	6.4
Key Lake	OP	221	0.46	2.2	1.9
McArthur River	UG	505	22.15	246.5	172.1
Peach	ISL	—	—	3.6	3.6
Rabbit Lake	OP/UG	908	1.33	26.7	26.7
Ruby Ranch	ISL	—	—	3.1	3.1
Total Proven Reserves³		1,979		474.3	313.7
Probable Reserves					
Cigar Lake	UG	236	11.3	58.8	29.4
Crow Butte	ISL	—	—	5.0	4.5
Gas Hills	ISL	—	—	7.6	7.6
Highland	ISL	—	—	0.9	0.9
McArthur River	UG	163	2.42	8.7	6.1
Peach	ISL	—	—	1.0	1.0
Rabbit Lake	UG	174	0.85	3.3	3.3
Ruby Ranch	ISL	—	—	1.7	1.7
Total Probable Reserves		573		87.0	54.5
Total Proven and Probable Reserves		2,552		561.3	368.2
Possible Reserves					
Cigar Lake	UG	565	8.15	101.5	50.8
Total Possible Reserves		565	8.15	101.5	50.8

¹ For a description of the methodology and definitions used by Cameco in the calculation and presentation of reserves and resources, see page 73. Canadian Securities Administrators' proposed National Instrument 43-101 dated July 3, 1998 requires mining companies to disclose reserves and resources using the subcategories of proven reserves, probable reserves and possible reserves and measured resources, indicated resources and inferred resources. Cameco reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves. Cameco has measured uranium resources of nil.

² Mining method is either underground (UG), open pit (OP) or in situ leaching (ISL). Tonnes and grade are not listed for ISL deposits because they contain in situ leach reserves and/or resources which may be dissolved in place and pumped to surface rather than excavated.

³ Approximately 11,068,000 pounds U₃O₈ with an average grade of 1.10% U₃O₈ are contained in broken ore stockpiled at the Key Lake and Rabbit Lake sites.

⁴ Includes Cameco's wholly owned US subsidiaries.

URANIUM RESOURCES¹

(AS OF DECEMBER 31, 1999)

	Mining Method ²	Tonnes (thousands)	Average Grade (% U ₃ O ₈)	Total (million lbs U ₃ O ₈)	Cameco's Share (million lbs U ₃ O ₈)
Indicated Resources					
Bear Creek	ISL	—	—	3.9	3.9
Big Red	ISL	—	—	2.6	2.6
Crow Butte	ISL	—	—	11.0	9.9
Dawn Lake	OP/UG	436	1.93	18.5	10.7
Gas Hills	ISL	—	—	2.1	2.1
Highland	ISL	—	—	2.9	2.9
McArthur River	UG	859	12.02	227.8	159.0
Rabbit Lake	UG	57	1.20	1.5	1.5
Total Indicated Resources		1,352		270.3	192.6

Inferred Resources

Bear Creek	ISL	—	—	0.9	0.9
Big Red	ISL	—	—	3.5	3.5
Crow Butte	ISL	—	—	16.6	15.0
Dawn Lake	UG	165	1.04	3.8	2.2
Gas Hills	ISL	—	—	50.8	50.8
Highland	ISL	—	—	2.5	2.5
Peach	ISL	—	—	4.0	4.0
Ruby Ranch	ISL	—	—	2.0	2.0
Taylor Ranch	ISL	—	—	10.0	5.0
Total Inferred Resources		165		94.1	85.9

OWNERSHIP

(AS OF DECEMBER 31, 1999)

Property	Cameco's Share ⁴	Other Owners	Operator ⁴
Bear Creek	100%	n/a	Cameco
Big Red	100%	n/a	Cameco
Cigar Lake	50%	COGEMA Resources Inc. 37%, Idemitsu Uranium Exploration Canada Ltd. 8%, TEPCO Resources Inc. 5%	Cigar Lake Mining Corp.
Crow Butte	90%	KEPCO Resources America, Ltd. 10%	Crow Butte Resources, Inc.
Dawn Lake	58%	COGEMA Resources Inc. 23%, PNC Exploration (Canada) Ltd. 19%	Cameco
Gas Hills	100%	n/a	Cameco
Highland	100%	n/a	Cameco
Key Lake	83%	COGEMA Resources Inc. 17%	Cameco
McArthur River	70%	COGEMA Resources Inc. 30%	Cameco
Peach	100%	n/a	Cameco
Rabbit Lake	100%	n/a	Cameco
Ruby Ranch	100%	n/a	Cameco
Taylor Ranch	50%	Cotter Corporation 50%	Cameco

Kumtor continues to contribute to Cameco's cash flow and earnings.

"...gold exploration is focused in North America."



The Kumtor gold mine is approximately 4,000 metres above sea level in the interior of the Tien Shan mountain range adjacent to the Chinese border in Kyrgyzstan. Nearly 90% of employees are from local communities.

Profile

Cameco Gold, a wholly owned subsidiary of Cameco, manages the company's gold activities from its head office in Toronto, Ontario.

The company's gold business consists of a one-third interest in the Kumtor gold operation in Kyrgyzstan and a program of international exploration, development, acquisitions and strategic alliances. Gold-related revenue accounted for almost 15% of Cameco's total revenue in 1999.

Kumtor Operation

Kumtor is owned two-thirds by the Kyrgyz Republic and one-third by Cameco Gold, and is operated by the Kumtor Operating Company (KOC), a wholly owned subsidiary of Cameco Gold.

The Kumtor mine produced 610,523 ounces of gold in 1999 at a cash operating cost of \$179 (US)—the same cost as in 1998. Cameco Gold's share was 203,508 ounces.

After taking 1999 mine production into account, KOC increased total reserves by 1.1 million ounces and reduced total resources by 3.9 million ounces compared to year-end 1998. This is a result of the interpretation of drilling conducted in the Kumtor pit during 1998 and 1999 and subsequent analysis.

The market price for gold averaged \$279 (US) per ounce in 1999 compared to \$294 (US) per ounce the previous year. At the end of 1999, Kumtor had about 1.1 million ounces hedged at an average realizable price of \$305 to \$320 (US) per ounce. The hedging program, for the past three years of mine operation, has provided an average



Dan Loupret, a mill operator at the Kumtor gold mine, pours a gold bar at the minesite. Almost 1.8 million ounces of gold have been produced at Kumtor since the mine began operations in 1997.

GOLD MINING ¹

Kumtor ²	1999	1998
Tonnes milled	5,297,864	5,254,378
Production (oz)	610,523	645,161
Recovery (%)	79.37	78.50
Average mill head grade (g/t)	4.54	4.77
Employees	1,158	1,115

¹ Total production for the year ending December 31.

² Kumtor ownership: Kumtor Mountain Company, a wholly owned subsidiary of Cameco Gold Inc. (33.33%); Kyrgyz Republic (66.67%). Kumtor Operating Company, a wholly owned subsidiary of Cameco Gold Inc. is operator.

premium of \$75 (US) per ounce over the spot gold market price.

1999 Exploration Program

Cameco Gold has exploration projects in North America and in Central and Southeast Asia. In 1999, the company continued the approach established a year earlier, focusing on exploration activities in North America and concentrating on gold deposits with potentially high profit margins.

Overall, the company spent \$11 million in 1999 on exploration activities, including about \$7 million in North America. Aside from two strategic alliances, Cameco Gold

operates all its projects and drilled about 32,000 metres in 117 holes during 1999. At the end of the year, total land holdings were 1.6 million hectares compared to 1.7 million in 1998.

Cameco Gold made significant progress in three areas during 1999—the Ren project in Nevada, the Despinassy project in Quebec and the Cascadia strategic alliance in Mongolia. These projects will be the focus of follow up work in 2000.

Exploration Projects

In North America, exploration is conducted in Ontario and Quebec in Canada, in Nevada in the United States, and in Mexico.

Cameco Gold has five active projects in Canada and plans to drill at three of these projects in 2000. The Despinassy project in Quebec will continue to be a major focus of drilling to follow up on encouraging results from 23 drill holes in 1999. Exploration teams have found four mineralized zones in an area three kilometres long by up to 200 metres wide. In 2000 the resource potential of these zones will be tested. Cameco Gold owns 70% of this joint venture while Major General Resources Inc. holds 30%. In the United States, the company will be drilling at three of five active exploration projects. The Ren project appears to hold the most promise based on 1999 drilling results. Drilling will continue in search of a deep, high-grade deposit. This property is adjacent to the high-grade Meikle gold mine in the heart of the North Carlin gold belt. The area contains more than 50 million ounces of gold reserves and hosts six producing mines. Cameco Gold anticipates becoming a 60% joint venture partner later in 2000 according to an exploration agreement with Homestake Mining Company which will own the remainder of the Ren project.

Gold Hedging Premium (US\$/oz)

During the past three years, the hedging program has provided an average premium of \$75 (US) per ounce over the spot market gold price.



In Mexico, one active project called La Junta, will be drilled in 2000. Cameco Gold owns 50% with the remainder held by Cambior Exploracion S.A. de C.V.

In Kyrgyzstan, the company is still in the early stages of evaluating and confirming previously found mineralization and anomalies in an area near the Kumtor mine.

Strategic Alliances

Cameco Gold continues to be involved in two strategic alliances.

The first alliance is with Cascadia Mining Inc. on their Mongolian properties. After positive results from five drill

holes in 1999, drilling will be continued in the Gatzuurt area to define mineralization in a zone near the surface. Cascadia is an unlisted Canadian-controlled junior mining company. Cameco Gold holds a 41.8% equity position in Cascadia and has the option to acquire up to a 65% direct interest in the Mongolian properties through funding of exploration.

The company also has a 19.5% interest in Menzies Gold NL of Australia and an exploration and development agreement which gives Cameco Gold the first opportunity to joint venture with Menzies in current and future projects. Menzies has been focusing its exploration activities on its Bau property in Sarawak, Malaysia.

GOLD RESERVES & RESOURCES ¹

(AS OF DECEMBER 31, 1999)

	Mining Method ²	Tonnes (thousands)	Average Grade of Gold		Total (thousand oz)	Cameco's Share (thousand oz)
			(g/t)	(oz/t)		
Proven Reserves ³						
Kumtor Gold ⁴	OP	30,337	4.38	0.13	4,272	1,424
Probable Reserves						
Kumtor Gold	OP	4,111	3.57	0.10	472	157
Total Reserves		34,448	4.28	0.12	4,744	1,581
Inferred Resources						
Kumtor Gold		22,117	3.77	0.11	2,679	893
Total Resources		22,117	3.77	0.11	2,679	893

BASE METAL RESOURCES ¹

(AS OF DECEMBER 31, 1999)

	Tonnes (thousands)	Copper %	Average Grade		Silver g/t	Cameco's Share (thousand tonnes)
			Zinc %	Gold g/t		
Indicated Resources						
Hanson Lake:						
Copper Zone	2,983	2.28	3.00	0.91	28.2	2,002
Zinc Zone	5,382	0.30	7.17	0.29	24.9	3,611
Inferred Resources						
Hanson Lake:						
Copper Zone	2,889	2.21	1.61	0.54	18.7	1,939
Zinc Zone	1,826	0.93	6.90	0.56	25.3	1,225

¹ For a description of the methodology and definitions used by Cameco in the calculation and presentation of reserves and resources, see page 73. Canadian Securities Administrators' proposed National Instrument 43-101 dated July 3, 1998 requires mining companies to disclose reserves and resources using the subcategories of proven reserves, probable reserves and possible reserves and measured resources, indicated resources and inferred resources. Cameco reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves. Cameco has possible gold reserves of nil and measured and indicated gold resources of nil. Cameco has proven, probable and possible base metal reserves of nil and measured base metal resources of nil.

² Mining method: OP – open pit.

³ Gold reserves were established using a gold price of \$301 (US) per ounce.

⁴ Approximately 195,000 ounces of gold with an average grade of 2.86 g/t (0.08 oz/t) are combined in broken ore stockpiled on surface at the Kumtor minesite.

Good business goes beyond production results. “Operating responsibly includes a strong commitment to people and the environment.”

Senior environment and radiation technologist Jean Alonso takes a water flow reading at a small creek on the McArthur River site. A variety of monitoring and sampling programs are conducted on a regular basis at all Cameco sites.



At Cameco, operating responsibly means looking after the health, safety and well being of our employees and the public, protecting the environment and supporting the communities near our operations. We strive to incorporate these considerations into everything we do.

Improving Safety

In 1999, the overall lost-time accident¹ frequency rate achieved by the employees of Cameco and by the employees of long-term contractors working at our facilities was 0.50 per 200,000 hours worked. This frequency rate compares favourably to the 1.30 and 1.40 frequency rates recorded in the Ontario and Saskatchewan mining industries respectively.

Included in the overall 0.50 frequency rate is the Kumtor frequency rate which reflects the safety success achieved at that remote, high altitude operation. Unfortunately, despite these efforts, Kumtor suffered a contractor fatality during the year.

A number of Cameco facilities have reached impressive safety milestones.

On January 26, 2000, the Blind River refinery recorded 10 consecutive years without a single lost-time accident. Cameco's McArthur River and Key Lake operations were awarded the Canadian Institute of Mining, Metallurgy and Petroleum's John T. Ryan trophy for having achieved the best mining safety record in Canada during 1999.

At year-end 1999, several Cameco divisions had achieved more than a full year without recording any lost-time accidents (see table top right).

Revegetating Key Lake

At the Key Lake operation, Cameco is revegetating land no longer required now that mining has been completed.

Working Safely

Number of days without a lost-time injury as of December 31, 1999

Uranium Exploration	481
Key Lake Operation	853
Crow Butte Operation	1,075
Gold Exploration	1,461
Blind River Operation	3,626

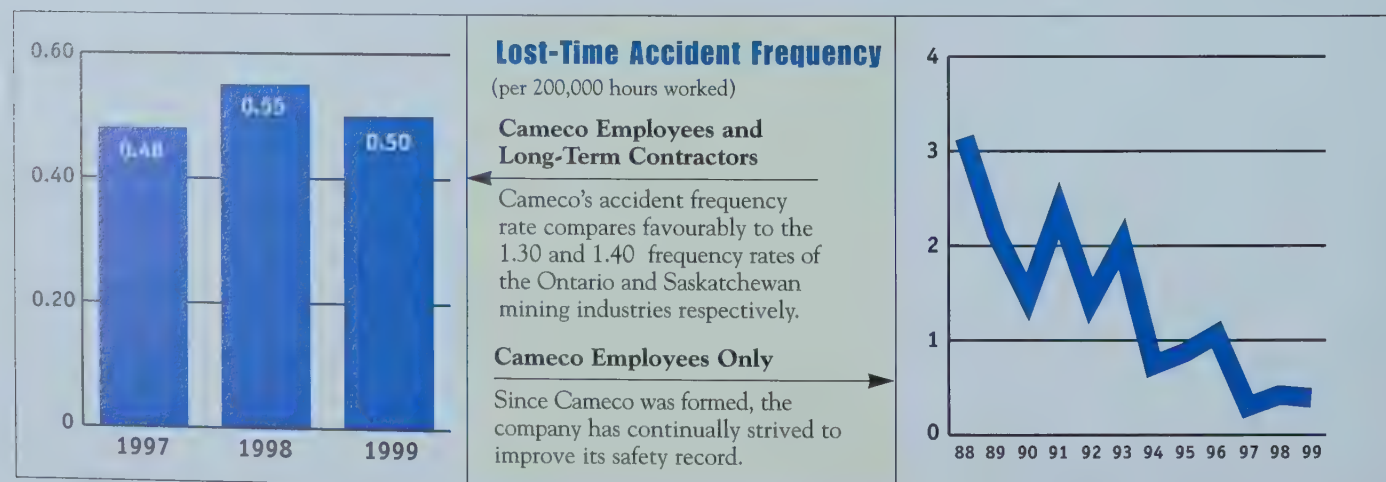
Conventional revegetation methods were not successful at Key Lake, given the harsh regional environment and the almost total absence of organic material in the sandy top soil.

Cameco looked at the existing local environment for inspiration. Using seeds collected in the area and cloning regional plants, such as blueberries, some shrubs and jack pines, vegetation has been re-established. Plant diversity helps fragile species take root and develop naturally without human involvement such as watering or fertilizing.

Cameco's successful revegetation efforts also make economic sense as a revegetated area no longer requires surface lease payments. In 1999, some 186 hectares of provincial land were reclassified in this manner.

Implementing an Environmental Management System

Cameco's commitment to protecting the environment as well as the health and safety of its employees and of the public remains as strong as ever. A new, comprehensive environmental management system (EMS) was introduced in 1999 for implementation across the company in 2000. It will be followed in 2001 by a new health and safety management system (HSMS).



¹ A lost-time accident occurs when the time lost as a result of a work-related injury extends beyond the day of the injury and prevents employees from reporting to work on their next scheduled work day.



Areas which are no longer in use at operating sites are landscaped and revegetated to return them as much as possible to their predevelopment state. At Key Lake this involved finding plants, such as these jackpines, which would grow in the sandy soil that is common to the area. Since the revegetation program began at the Key Lake site in 1993, more than 460,000 trees have been planted.

While many components of these two systems have been in place for some time these new systems will provide greater consistency across the company and a better framework to stimulate ongoing improvement.

The EMS, for instance, focuses on three key elements:

- compliance with the law, regulations and industry standards
- prevention of environmental incidents, and
- continual improvement in overall environmental protection.

Through ongoing activities, such as the preparation of environmental impact assessments, training of employees, participation of employees in the improvement of environmental programs and procedures, and through the ongoing monitoring of environmental performance,

Cameco seeks to continually improve environmental management.

Renewing Facility Licences

In the strictly controlled nuclear industry, Cameco continues to meet and exceed the regulatory requirements.

In 1999, Cameco applied for and received operating licence renewals or revisions for all of its Canadian facilities. The Atomic Energy Control Board (AECB) and the Saskatchewan Department of Environmental and Resource Management re-issued licences to our Saskatchewan sites, while the AECB re-issued licences to the Blind River and Port Hope fuel services facilities.

As well, Cameco obtained the first operating licence for the McArthur River mine.

EMPLOYMENT

(as of December 31, 1999)

	Uranium		Gold		Total
	Cameco and subsidiaries	Long-term contractors	Cameco and subsidiaries	Long-term contractors	
Canada ¹	1,206	502	16	—	1,724
United States	120	30	8	—	158
Kyrgyzstan	—	—	1,481	92	1,573
Kazakhstan	2	5	—	—	7
Australia	10	—	—	—	10
Total	1,338	537	1,505	92	3,472

¹ Cameco employs 1,206 people directly in Canada excluding subsidiaries.



Alaybek Salakunov, a Kyrgyz employee who works in the warehouse, is a member of the rescue team at the Kumtor gold mine. He was one of many employees who participated in safety training programs at the minesite during the year.

Northern Saskatchewan residents view employment, and the economic and social benefits which flow from it, as the most important impact of mine development.

Half of the more than 1,100 workers, including long-term contractors, at Cameco's Saskatchewan mines are residents of northern Saskatchewan and most of that group are of aboriginal ancestry. These northern residents earn approximately \$20 million each year.

Cameco remains one of Canada's leaders in the industrial employment of aboriginal people.

As we strive to increase aboriginal participation at our northern Saskatchewan mines, Cameco co-operates with agencies representing governments and local communities in the development of long-term aboriginal employment strategies.

These strategies take many forms and include post-secondary education and training support, scholarships, northern student employment and special programs to encourage northern children to stay in school.

Responding to Northern Saskatchewan Businesses

Cameco's business development strategy provides preferential consideration for business proposals with northern Saskatchewan and aboriginal involvement.

That strategy already has many successes as the value of goods and services acquired by Cameco from northern Saskatchewan has been increasing year after year to reach a total of \$90 million in 1999. This represents more than 55% of Cameco's total purchases in Saskatchewan for 1999.

Cameco's strategy takes many different forms. A mine contracting joint venture was formed between a long established contractor, Thyssen Mining Construction of Canada Ltd., and the Mudjatik Partnership, a consortium of northern aboriginal groups. The joint venture was selected for major mine development work at the McArthur River site. As a result, for the first time an aboriginal joint venture has been contracted for the sinking of a mine shaft in Canada.

Consulting with Communities near Cameco's Operations

For many years, in Canada and abroad, Cameco has maintained a constructive dialogue with the communities located near its operations.

Decommissioning Gold Mines

In 1999, Cameco completed the final decommissioning of two former gold mines, the Star Lake and Jasper mines which closed in 1989 and 1991 respectively.

The land occupied by these operations will be returned to the provincial government in 2000.

Work continued on decommissioning the Contact Lake mine during 1999.

Employing Nationals in Kyrgyzstan

In Kyrgyzstan, Cameco's commitment to maximizing social and economic benefits of the communities near our operations has resulted in local people making up nearly 90% of the workforce at the Kumtor gold mine.

Employing Northerners in Saskatchewan

Cameco has always been committed to the integration of its activities into the social and cultural fabric of northern Saskatchewan where employees are drawn from more than 20 aboriginal communities.



Radiation and safety technologist Robin Hovdebo takes a reading for radiation levels in the bulk neutralization area of the Key Lake mill. Cameco conducts a variety of safety readings on a regular basis at all sites.

In Canada, Australia and Kyrgyzstan, this dialogue is conducted either formally through established committees or informally through community visits, site tours and information workshops.

In northern Saskatchewan, Cameco has spearheaded the negotiation of a voluntary and comprehensive impact management agreement which covers a broad range of issues of importance to the northern communities. It includes commitments to local residents to provide jobs, training and business opportunities, and to assist in initiatives which enhance community vitality.

The impact management agreement also guarantees compensation if local people suffer any loss attributable to mining activities and provides for local community members to participate in the testing of air, water, fish and game and edible plants found in their region.

Receiving Awards

The Canadian Institute of Mining, Metallurgy and Petroleum awarded the John T. Ryan Trophy jointly to the Key Lake and McArthur River operations for having the lowest accident frequency rate in Canada for metal mines in 1999.

The Industrial Accident Prevention Association and Human Resources Development Canada provided safety awards to the Blind River refinery for recording 10 years without a lost-time accident.

The Northern Territory Department of Mines and Energy gave a recognition award in resource development to Cameco's exploration team in Australia for excellence in environmental practice in operating and rehabilitating exploration sites.

Environment and radiation technologist Janet Holmgren checks a valve on a sand filter tank in the water treatment plant at McArthur River. She is a member of the team that conducts monitoring and sampling programs at the McArthur River mine.



RESULTS OF OPERATIONS 1999 COMPARED TO 1998

Overview of the Operating Year

Cameco realized strong cash flow and positive earnings and maintained its solid balance sheet in 1999 despite difficult markets for uranium and gold.

There were two particularly significant developments during the year which were of long-term benefit to the company. In March 1999, the company signed an historic agreement with Russia to purchase for resale natural uranium from dismantled weapons. In December 1999, the company began the commissioning of its McArthur River mine.

Cameco generated record cash from operations in 1999. After working capital changes, cash provided by operations was \$249 million (\$4.35 per share), up 5% compared to \$237 million (\$4.13 per share) in 1998. Before working capital changes, cash provided by operations was \$228 million in 1999 compared to \$222 million in 1998.

In 1999, net earnings attributable to common shares were \$71 million (\$1.24 per share) compared to \$44 million (\$0.76 per share) in 1998.

Earnings were significantly impacted by two items: the gain on the sale of uranium property interests and the writedown of mineral properties. Excluding these two items, 1999 net earnings attributable to common shares would have been \$42 million (\$0.72 per share). This compares to net earnings of \$68 million (\$1.19 per share) in 1998 after adjusting for that year's writedowns.

Total revenue grew by 3% to a record \$742 million in 1999 from \$719 million in 1998. In 1999, nuclear products and services accounted for more than 85% of total revenue with the remainder coming from gold operations.

In 1999, consolidated earnings were influenced by reduced operating profits from the gold business due to lower realized prices, decreased sales volumes

CONSOLIDATED FINANCIAL HIGHLIGHTS (\$ millions)

	1999	1998	% Change
Revenue	\$ 742	\$ 719	-3
Earnings from operations	79	104	-24
Net earnings*	71	44	+61
Cash provided by operations	249	237	-5

* attributable to common shares

and higher depreciation charges. Nuclear earnings were marginally higher in 1999 as increased sales volumes compensated for weaker realized prices. Cost reductions in administration and exploration were offset by increases in interest and preferred securities charges.

The company's adjusted earnings are summarized below:

SUMMARY OF EARNINGS (\$ millions, except per share amounts)

	1999	1998	Per Share 1999	Per Share 1998
Net earnings attributable to common shares	\$ 71	\$ 44	\$ 1.24	\$ 0.76
Add (deduct) special items:				
• writedown of properties:				
gold	49	12	0.85	0.21
uranium	-	16	-	0.28
• gain on sale of uranium interests	(13)	-	(0.23)	-
Deferred income tax recovery				
• writedown of assets	(6)	(4)	(0.11)	(0.06)
• sale of uranium interests	(59)	-	(1.03)	-
Net earnings before special items	\$ 42	\$ 68	\$ 0.72	\$ 1.19

Note: differences due to rounding

Cameco ended the year with \$407 million of working capital compared with \$323 million in 1998. At December 31, 1999, total debt was \$359 million, and the total debt to capitalization ratio was 16%.

Nuclear business

Cameco's nuclear business consists of exploration for uranium, of the development and operation of uranium mines, and of the refining and conversion of uranium concentrates. Uranium and uranium products are sold exclusively for the generation of electricity in nuclear power plants.

Western world uranium market

In 1999, the average month-end closing spot price for uranium was marginally lower than the year earlier. Even with aggressive sellers in the market, the uranium spot price ended 1999 at \$9.60 (US) per pound U_3O_8 (uranium concentrates), up 10% from \$8.75 (US) at the end of 1998.

Long-term contract price indicators published in the industry declined by 10% during the year to \$10.00 (US) per pound U_3O_8 reflecting the low level of contracting activity in 1999, particularly in the first three quarters of the year, and the aggressive offers of some suppliers.

The conversion market was also impacted by abundant supplies. As a result, the conversion spot price decreased over the year by 27% to \$2.55 (US) per kilogram uranium as UF_6 from \$3.50 (US) one year earlier.

Revenue

In 1999, Cameco's nuclear revenue increased 10% to \$634 million from \$576 million last year due primarily to the sale of a record volume of U_3O_8 , up 14% from 1998. The increase in volume resulted from higher deliveries under Uranerz sales contracts, which were acquired in August 1998, and the results of marketing efforts in recent years. The influence of the greater volume was partially offset by a 3% decline in the average realized price, due primarily to a higher proportion of deliveries with market-related prices. In conversion services, combined UF_6 and UO_2 sales volumes increased by 11% while average realized prices declined 1%.

Cost of products and services sold

The cost of products and services sold of \$379 million increased by \$42 million or 12% due mainly to the higher volumes delivered. However, U_3O_8 unit costs were down marginally, reflecting a decline in the cost of acquired material. The company continues to sell more uranium than it produces and, therefore, purchases additional

quantities to meet its sales commitments. Unit costs for conversion services held steady at 1998 levels. Margins were unchanged for conversion services but lower in uranium concentrates.

Depreciation, depletion and reclamation

Depreciation, depletion and reclamation charges of \$97 million rose 11% over the previous year due to the increased sales volumes in U_3O_8 and conversion services.

Uranium exploration

Uranium exploration expenditures decreased in 1999 to \$11 million, a decline of \$3 million from 1998. This reflects the strategy to focus predominantly on prospects in Canada and Australia which have high potential for economically attractive discoveries.

Gain on sale of property interests

In 1999, the company sold certain uranium interests for \$239 million, resulting in a gain of \$13 million. In addition, a \$59 million recovery of deferred tax was recorded on this sale.

Gold Business

Revenue

In 1999, gold revenue was \$107 million, a decline of 25% from 1998. The decrease was due to a reduced sales volume and lower realized prices. In 1999, sales volume declined by 14% to about 205,000 ounces due to the closure of the Contact Lake operation in 1998 and to a decline in Kumtor production which was expected. The average realized gold price declined to \$500 per ounce (\$338 (US)) for 1999 compared to \$563 per ounce (\$380 (US)) in 1998. The average spot market price for gold during 1999 was \$279 (US) per ounce compared to \$294 (US) in 1998.

Cost of products and services sold

For 1999, costs of products and services sold were \$50 million, a decline of 21% from 1998 due mainly to the lower sales volume. In addition, the 1998 costs included the higher cost of production at Contact Lake mine. At Kumtor, the cash operating cost of \$179 (US) per ounce was unchanged from 1998 and is calculated in accordance with the standards of The Gold Institute.

OPERATING RESULTS - GOLD

	1999	1998	% Change
Kumtor			
Tonnes milled (000)	5,298	5,254	+1
Grade (g/t)	4.54	4.77	-5
Mill recovery (%)	79.3	78.5	+1
Production (000 ozs)	610.5	645.0	-5
Cash operating cost (\$US/oz)	\$ 179	\$ 179	-
Cameco			
Production (000 ozs) ¹	203.5	234.6	-13
Sales (000 ozs) ¹	205.5	239.8	-14
Realized gold price (\$US/oz)	\$ 338	\$ 380	-11

¹ 1998 production and sales volumes include Contact Lake

Depreciation, depletion and reclamation

Total depreciation, depletion and reclamation costs increased marginally in 1999 to \$40 million. This was due mainly to an 18% increase in the depreciation rate at Kumtor reflecting the combined effect of the January 1, 1999 restatement of reserves and the September 30, 1999 writedown of assets. The 1998 costs included \$9 million for charges at Contact Lake.

Gold exploration

Expenses of \$11 million were incurred exploring for gold in 1999. This represents a reduction of 29% from 1998. Most of the work in 1999 was conducted in North America.

Other Corporate Expenses

Administration

In 1999, administration expenses declined by 10% to \$36 million from the prior year. This reduction reflects the severance costs incurred at Rabbit Lake in 1998 and cost control initiatives undertaken in 1999. These were partially offset by costs incurred in establishing new sales offices in Europe and the United States.

Interest

Net interest expenses increased by \$5 million compared to 1998. This can be attributed to lower interest income on Cameco's subordinated loan to Kumtor, which declined following a payment in December 1998 of all outstanding interest at that time.

Income taxes

In 1999, a net income tax recovery of \$3 million was recorded, as a result of the sale of uranium interests, compared to income tax expense of \$47 million in 1998. Before the sale and writedowns, the effective rate of income tax was 55% in 1999 compared to 43% in 1998. The lower effective income tax rate in 1998 was the result of a greater proportion of pre-tax earnings derived from gold operations outside of Canada where they are subject to a lower tax rate. The effective rate for both years was unfavourably influenced by the amount of large corporations tax, non-deductible provincial royalties and other taxes. See note 16 to the consolidated financial statements.

Writedown of mineral properties

In 1999, after a prolonged period of depressed and volatile gold prices, Cameco reduced the carrying value of its investment in the Kumtor gold mine by \$46 million (\$40 million after tax). The amount of the writedown was based on estimated future net cash flows assuming a future gold price of \$300 (US) per ounce. In 1998, Cameco recorded a writedown of \$16 million (\$12 million after tax) related to certain US non-producing uranium properties.

Other expenses

In 1999, Cameco reduced the carrying values of investments in other gold interests by \$4 million. This was offset by the receipt of \$2 million in dividends from Energy Resources of Australia. In 1998, a writedown of \$12 million on other gold investments was recorded.

Preferred securities charges

Preferred securities charges increased in 1999 to \$9 million from \$2 million in 1998. The preferred securities were issued in October 1998.

CASH RESOURCES

The company generated positive cash flow of \$37 million from its investing activities in 1999. Net proceeds of \$239 million from the sale of uranium interests were largely offset by capital expenditures of \$212 million mainly related to the development of McArthur River and Cigar Lake mines. This compares with expenditures of \$694 million in 1998, primarily for the acquisition of Uranerz, a 6.45% interest in Energy Resources of Australia and capital expenditures of \$159 million.

In 1999, financing activities used \$277 million primarily for debt repayment, dividends, preferred securities charges and the share repurchase program. During the year, the company repurchased 535,000 shares at an average price of \$23.15. In 1998, cash provided by financing activities was \$384 million primarily due to new financing arrangements involving debt and preferred securities.

Capital expenditures

Cameco plans to spend \$104 million on capital and development expenditures in 2000. Approximately one-half of this amount will be spent on the completion of the McArthur River mine and on the development of the Cigar Lake project.

In 2000, the McArthur River mine is expected to reach commercial production and an environmental impact statement for the processing of Cigar Lake ore at Rabbit Lake is expected to be submitted to the regulatory authorities. An application for the Cigar Lake mine construction licence will be prepared during 2000 for

CAPITAL AND DEVELOPMENT EXPENDITURES (In \$ millions)

	Planned 2000	Actual 1999
Mine development	\$ 65	\$ 168
Plant modifications and sustaining capital	39	44
Total	\$ 104	\$ 212

submission in late 2000 or early 2001. Production at Cigar Lake is expected in 2003.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Liquidity is the ability of the company to mobilize cash to fund its exploration, development and operating work plans. Important measures of liquidity include those summarized in the table below.

Debt

Cameco has agreements with lending institutions that provide access to approximately \$636 million in unsecured lines of credit including a long-term revolving credit facility of \$400 million. Interest rates on related borrowings vary and currently average 6.2% per annum. In addition, Cameco has \$236 million in letters of credit and overdraft facilities. These arrangements provide operational liquidity (including backup for a \$400 million commercial paper program), funding for capital expenditures and financial assurances for future reclamation obligations. For the related terms and conditions, see note eight to the consolidated financial statements. Approximately \$353 million of these facilities was unused at December 31, 1999.

MEASURES OF LIQUIDITY

	1999	1998	1997	1996	1995
Cash provided by operations (\$ millions)	249	237	162	178	133
Current ratio	3.3	2.4	2.0	4.2	3.6
Working capital (\$ millions)	407	323	273	271	248
Total debt/capitalization (%)	16	24	14	12	13

A \$55 million short-term revolving credit facility matured in May 1999 and was not replaced. In July 1999, Cameco cancelled a \$350 million bridge facility, which was due in January 2000. As credit facilities mature, the company intends to refinance as is necessary to meet liquidity requirements.

Senior debentures

In 1999, Cameco completed a \$100 million capital markets debt issue in the form of senior, unsecured debentures. These debentures bear interest at 6.9% per annum and will mature on July 12, 2006. The proceeds were used to repay other indebtedness.

Kumtor Gold Company

To finance the Kumtor gold project, a consortium of financial institutions advanced \$285 million (US) in senior and subordinated loans to the project through 1996. During 1999, KGC repaid \$49 million (US). After these repayments, the outstanding balances were \$191 million (US) on the senior debt and \$20 million (US) on the subordinated debt. Since Cameco proportionately consolidates its interest in KGC, \$70 million (US) (\$102 million (Cdn)) of the remaining loans were included in Cameco's long-term debt. See note 19 to the consolidated financial statements.

In addition, Cameco has invested \$45 million (US) as an equity contribution and provided a subordinated loan under which outstanding advances and accrued interest at the end of 1999 amounted to \$107 million (US) and \$12 million (US) respectively.

While the Kumtor credit facilities are an obligation of KGC, Cameco has agreed to guarantee the payment of all

principal and interest that becomes due on the senior debt. This guarantee does not apply in the case of certain events of political force majeure, which are covered by political risk insurance purchased on behalf of some lenders and self-insured by other lenders. See note 19 to the consolidated financial statements.

As part of the Kumtor financing arrangements, KGC must maintain a debt reserve bank account as described in note six to the consolidated financial statements.

Cameco is bound by certain financial covenants in its credit facilities and in those of Kumtor. These covenants place restrictions on total long-term debt, including guarantees, and set minimum levels for net worth. As of December 31, 1999, Cameco met such covenant tests and does not expect its planned operating and investing activities in 2000 will be constrained by them.

For additional commentary on Cameco's operations, the following section presents the results of an earlier year-on-year comparison.

RESULTS OF OPERATIONS 1998 COMPARED TO 1997

(These results include Uranerz Exploration and Mining Limited and Uranerz U.S.A., Inc. as of August 11, 1998, the date Cameco acquired these companies).

Overview of the Operating Year

In the uranium and gold markets, 1998 was characterized by limited demand and weak prices. The effect of these conditions was to restrain revenue, profit and cash flow despite the acquisition of Uranerz Exploration and Mining

QUARTERLY FINANCIAL RESULTS

(\$ millions except per share amounts)

	Q1 99	Q2 99	Q3 99	Q4 99	Year 1999	Q1 98	Q2 98	Q3 98	Q4 98	Year 1998
Revenue	147	181	169	245	742	132	157	202	228	719
Operating earnings	22	35	(17)	39	79	26	33	36	9	104
Net earnings*	9	15	30	17	71	18	19	18	(11)	44
Earnings per common share	0.15	0.26	0.52	0.31	1.24	0.31	0.34	0.32	(0.21)	0.76
Cash from operations	34	35	101	79	249	22	59	(15)	171	237
Capital expenditures	51	57	67	37	212	25	36	58	40	159

* attributable to common shares

Limited and Uranerz U.S.A., Inc. (Uranerz) and a full year's production from the Kumtor gold mine. The weakening of the Canadian dollar in 1998 partially offset the impact of the lower prices. In response to these conditions and to facilitate the transition to the new, richer uranium ore bodies, the company announced plans late in 1998 to conserve up to \$200 million in cash primarily by restricting production over the next three years.

In 1998, after working capital changes, Cameco generated cash from operations of \$237 million (\$4.13 per share) up 46% from 1997. The improvement primarily reflected the inclusion of financial results from the acquisition of Uranerz, a decline in uranium purchases, and the receipt of interest payments on Cameco's subordinated loans to KGC.

In 1998, Cameco's consolidated net earnings attributable to common shares were \$44 million (\$0.76 per share) compared to \$82 million (\$1.51 per share) in 1997. The 1998 earnings were impacted by reduced margins due to lower uranium prices and increased sales of higher-cost purchased uranium. In addition, the company wrote down \$16 million in non-producing US uranium properties and \$12 million to reflect a decline in the value of investments in gold activities not related to Kumtor. On an after-tax basis, these non-recurring write downs totalled \$24 million (\$0.42 per share) and had no cash implications.

The segmented results of Cameco's two business operations follow:

Nuclear Business

Western world uranium market

In 1998, only about 10 million pounds U_3O_8 were traded on the uranium spot market. This was about 7% of the western world's uranium consumption and less than half the volume traded in the previous year. The weak spot market was primarily due to lower utility and producer demand. Utilities in particular withdrew from the spot market for a variety of reasons including reductions in their inventories and deferred requirements.

After opening the year at \$12.05 (US) per pound U_3O_8 and stabilizing temporarily in the second quarter, the spot

price drifted steadily toward its 1998 close of \$8.75 (US), a decline of 27%.

Long-term contract price indicators published in the industry fell by 11% during 1998 to \$11.10 (US) per pound U_3O_8 , demonstrating more resilience than the spot price. Approximately 50 million pounds were contracted in the long-term market during 1998, about 31% less than in 1997. This was primarily due to heavy contracting from 1995 to 1997 and perceptions that prices would remain low. Contributing factors to these perceptions included the selling of uranium inventory announced by both the United States Enrichment Corporation (USEC) and the US Department of Energy as well as the uncertainty surrounding the disposition of the uranium natural feed component resulting from the US-Russia highly enriched uranium agreement.

In the conversion market, spot prices also decreased by about 31% from \$5.10 (US) per kilogram uranium as UF_6 at the close of 1997 to \$3.50 (US) at the end of 1998.

Revenue

In 1998, Cameco's nuclear revenue rose to \$576 million, including the effect of the Uranerz acquisition, an increase of 7% from 1997. This increase reflects higher U_3O_8 sales volumes which were up 10%, due to the acquisition. This was partially offset by a small decrease in the average realized U_3O_8 price reflecting the decline in the uranium spot price, mitigated somewhat by a weaker Canadian dollar.

Cameco's conversion revenues were relatively protected from changes in the UF_6 spot price as its contracts are typically based on fixed or base-escalated pricing terms. For the year, the combined UF_6 and UO_2 conversion sales volume was up about 6% while the average selling prices increased marginally.

Cost of products and services sold

The cost of products and services sold rose to \$337 million in 1998 including the cost of products associated with Uranerz. This was an increase of 25% from the previous year reflecting the higher sales volumes. In addition, the company sold about 40% more purchased uranium which generally carries a higher cost than the company's own production. The unit cost of conversion services also rose slightly in 1998.

Depreciation, depletion and reclamation

Depreciation, depletion and reclamation declined 10% to \$88 million in 1998 compared to \$98 million a year earlier reflecting increased sales of purchased uranium and inventory acquired from Uranerz. Depreciation is allocated to inventory which is produced, not acquired.

Uranium exploration

Spending on exploration in 1998 remained unchanged from 1997, at \$15 million.

Gold Business

Revenue

Revenue from gold operations in 1998 was \$143 million compared to \$103 million in the previous year. Cameco's total gold sales of 239,801 ounces in 1998 were 38% higher than the previous year. 1998 was the first full year of production from the Kumtor gold mine and the last year of production from the Contact Lake gold mine. In both 1998 and 1997, revenue included approximately \$5 million in management fees which Cameco earned as operator of the Kumtor mine.

The company realized an average price of \$563 per ounce, (\$380 (US)) in 1998. This is only a marginal decrease from 1997 because the lower US dollar gold prices were offset by the effect of a weaker Canadian dollar. Cameco's gold hedging program generated a premium of \$86 (US) per ounce compared to the average market price of \$294 (US) during 1998.

Cost of products and services sold

The Kumtor gold mine produced 645,161 ounces (Cameco's share 215,054 ounces) in 1998. Kumtor's strong operating performance resulted in cash costs of about \$179 (US) per ounce. Production at the Contact Lake mine was 29,331 ounces (Cameco's share 19,554 ounces) in 1998.

Early in 1998, the Contact Lake mine was closed as the orebody was depleted. Milling was completed in June and decommissioning of the site has commenced. During its mine life, Contact Lake produced 190,000 ounces.

Depreciation, depletion, and reclamation

Depreciation, depletion and reclamation increased by 56% to \$39 million in 1998 compared to \$25 million in 1997.

The two significant influences were the higher volume of Kumtor sales partially offset by reduced volumes for Contact Lake. A weaker Canadian dollar also contributed to the higher depreciation amounts as Kumtor costs are recorded in US dollars.

Restatement of gold reserves and resources

With the persistently low gold price, the company has restated the Kumtor reserves. As of December 31, 1998, the total remaining open pit reserves have been restated down to 4.4 million ounces and the resources have been revised up to 6.6 million ounces. The average grade of the remaining reserves has increased to 4.88 grams per tonne.

The reserves published since year-end 1994 were established using a gold price of \$375 (US) per ounce while the December 1998 reserves are based on \$325 (US). Although the quantity of reserves has been decreased, the cash flow analysis based on the higher grade indicated that no writedown of the carrying value was required.

Exploration

Gold exploration expenditures of \$16 million in 1998 were down from the \$18 million spent in 1997.

Non-Segmented Expenses

Administration

In 1998, the cost of administration rose \$12 million to about \$40 million. Of this increase, \$6 million related to non-recurring severance charges at Rabbit Lake and \$2 million related to costs no longer reimbursed by Uranerz which was Cameco's joint venture partner in the past.

Interest

Net interest income decreased by \$6 million to \$2 million in 1998. Interest expense increased because of higher debt levels in 1998 and accounting for a full year of Kumtor interest expense. In 1997, interest on the Kumtor project for the first third of the year was capitalized as the mine was still under construction.

Writedown of mineral properties

The company reviewed its US non-producing in situ leach properties in light of the uranium market environment and new geological interpretation. It concluded that the carrying values of certain properties should be written

down. Accordingly, a provision of \$16 million (\$12 million after tax) was made.

Other income and expenses

In 1998, expenses of \$12 million resulted from the writedown of carrying values for investments in gold activities not related to Kumtor. By comparison, in 1997, expenses of \$4 million were recorded.

CASH RESOURCES

Operating activities in 1998 generated net cash flows, after changes in working capital, of \$237 million (\$4.13 per share) compared to \$162 million (\$2.98 per share) a year earlier. The improvement reflects primarily the inclusion of financial results from the Uranerz acquisition, a decrease in uranium purchases, and the receipt of interest payments from Cameco's subordinated loans to KGC. The payment received included all interest accrued to December 1, 1998.

The company invested \$694 million in 1998, mostly for the acquisition of Uranerz, a 6.45% interest in Energy Resources of Australia and capital expenditures including \$120 million for the development of McArthur River and Cigar Lake mines. This compares with \$325 million invested in 1997 for the purchase of Power Resources, Inc. (PRI), capital expenditures and completion of Kumtor mine development.

In 1998, expenditures were financed primarily by a combination of cash from operations of \$237 million, a net increase of \$253 million in debt financing, and net proceeds of \$177 million from the issue of preferred securities in the US market.

In 1997, financing activities raised a net of \$258 million. Most of this funding reflects Cameco's public share offering of 4 million common shares which yielded net proceeds of \$198 million. In addition, an increase in debt was required to finance other activities.

The McArthur River mine is expected to enter commercial operations in late 1999. The company announced in early 1999 that the reserves at McArthur River increased by 35% to 255 million pounds U₃O₈. Reserves and resources at December 31,

1998 totalled 483 million pounds of which Cameco's share was 84%.

This ends the discussion of the results of operations for 1998 compared to 1997.

RISKS AND UNCERTAINTIES

(at December 31, 1999)

Financial Risk

Cameco's financial performance is influenced by fluctuations in uranium and gold prices and in foreign exchange rates. To reduce the associated risks, the company uses a variety of financial instruments and management controls which add a measure of certainty to expected future cash flows. See notes 26 and 28 (c) to the consolidated financial statements.

Uranium prices

The company reduces its exposure to volatility in uranium prices by maintaining a long-term contract portfolio which is diversified by price mechanism, delivery date and geographic location of customers. For 2000, the company's sensitivity to changes in the uranium spot price is noted in the outlook section.

Limited number of customers

The company relies on a small number of customers to purchase a significant portion of its production of uranium concentrates and conversion services. For example, Cameco's five largest customers are anticipated to account for 29% of the company's contracted supply of U₃O₈ for the period 2000 through 2002. By comparison, the five largest customers accounted for 27% of the contracted supply of U₃O₈ for the period 1999 through 2001. The loss of any of the company's largest customers or curtailment of purchases by such customers, could have a material adverse effect on the company's financial condition and results of operations.

Gold prices

KGC hedges the price risk for gold in its own name. At the end of 1999, it had in place forward sale and put option agreements on 1,134,000 ounces. Cameco provides limited guarantees in support of KGC's gold hedging program. Cameco's one-third share of these agreements

was 378,000 ounces consisting of 269,000 ounces in spot deferred forward contracts and 109,000 in purchased put options. The average prices for these positions are \$308 (US) per ounce and \$244 (US) per ounce, respectively. At the company's discretion, the put options may or may not be exercised. In addition, KGC has sold call options of which Cameco's share is 120,000 ounces at an average price of \$304 (US). The mark-to-market gain on Cameco's share of these hedge positions was \$2 million (US) at December 31, 1999 based on a spot market gold price of \$290 (US) per ounce.

Foreign exchange risk

The majority of the company's revenues are in US dollars. At December 31, 1999, Cameco had sold forward \$621 million (US) at an average spot exchange rate of approximately \$1.47 per US dollar. The mark-to-market gain on these foreign exchange positions was \$18 million (Cdn). Due to existing hedges, the sensitivity of the company's earnings and cash flows in 2000 to changes in the exchange rate is not material.

Political risk

The company faces the possibility of adverse political and economic conditions in Kyrgyzstan where the Kumtor mine is located. Consequently, the company has purchased political risk insurance that covers the carrying value of 90% of both its subordinated loan and equity contribution in KGC.

Operations Risk

The company began commissioning the McArthur River mine in December 1999. Through experience working on the orebody, modifications are being made to the material handling systems. At Cigar Lake, technical challenges exist regarding ground water, rock properties and radiation protection. Failure to resolve technical issues at either mine or significant delays in obtaining permits and licences for Cigar Lake could have an adverse effect on the company's future prospects.

To ensure delivery of contracted volumes during the development of Cameco's new mines, the company has adjusted its uranium inventory levels to cover approximately one year's sales. The drawdown of this inventory to normal operating levels is being co-ordinated

with the ramp-up of production at McArthur River planned over the next two years.

Cameco invests in a comprehensive insurance program to manage risk in its operations and reduce its exposure to potential liabilities.

Environmental Risk

In 1999, Cameco adopted a new environmental policy and began the planning and design of a new environmental management system at its operating sites. Once implemented, this system is expected to reduce environmental risks and meet the requirements of the international standard referred to as ISO 14001.

Over the long term, the company must plan for the closure and decommissioning of its operating sites. See note nine to the consolidated financial statements. At the end of 1999, an accounting provision for future reclamation costs totalled \$103 million. In order to provide financial assurances for these future work plans, Cameco has provided letters of credit (LOCs), where required by law, to the jurisdictions in which its operations are located. Cameco's LOCs totalled \$131 million at the end of 1999 of which \$121 million are related to reclamation and decommissioning activities. However, the new Canadian Nuclear Safety and Control Act may take effect during 2000, and may require the company to provide approximately \$78 million in additional LOCs, for the decommissioning of the conversion plants.

In 1988, Cameco assumed the ownership and primary responsibility for waste management at four locations in Ontario. The applicable regulatory authorities have not yet defined a plan or time schedule for the reclamation of any of these sites. Therefore, the company has not established any accounting provision for this liability. Cameco's maximum liability for costs related to these wastes is \$25 million. Approximately \$5 million has been spent to date. See note 25(a) to the consolidated financial statements.

Nuclear

Primary production continues to supply substantially less than western world consumption with the balance coming from secondary sources.

Due to low volumes in the long-term western world market over the past few years of about 60 million pounds U_3O_8 annually, industry experts believe that demand may rebound in 2000 to about 75 million pounds U_3O_8 . This should provide some upward pressure on new long-term prices.

However, in the spot market, industry experts expect volumes similar to 1999. Spot market prices will be dependent, in part, on the degree to which certain suppliers continue to sell at distress prices.

Conversion prices are expected to remain under pressure as secondary UF_6 supplies are available from various sources including supplies available through the US/Russia highly enriched uranium agreement.

Cameco's uranium sales volumes are expected to be similar to 1999 although prices and margins may be slightly weaker. About 60% of Cameco's long-term contracts contain pricing which references the spot price at the time of delivery. In 2000, a \$1.00 (US) change in the uranium spot price would change revenue by about \$17 million (Cdn), earnings by \$7 million (Cdn) and cash flow by \$13 million (Cdn).

Until McArthur River mine achieves steady-state operations expected in 2001, cost levels are expected to be variable and at times, higher than historical levels.

The company has more than 100 million pounds U_3O_8 and more than 48,000 tonnes of uranium conversion under contract for delivery over the next decade. This contract position provides a certain measure of predictability to the company's revenue and cash flow.

Gold

Gold production at Kumtor is expected to rise to about 645,000 ounces (Cameco's share one-third) due to marginal increases in average grade and mill feed tonnage.

The average realized gold price on hedges at the end of 1999 is expected to decline to about \$315 (US) per ounce but will be offset by a lower depreciation rate allowing margins to improve modestly.

Based upon the approved life of mine plan, KGC should be able to meet its obligations to the senior lenders if gold prices average at least \$220 (US) per ounce over the remaining life of the mine.

Liquidity

Operating cash flows are projected to be sufficient to fund capital expenditures, dividend payments, share repurchases and to repay some debt.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

The statements in the management's discussion and analysis which relate to the future are forward-looking statements and are subject to a number of risks and uncertainties. The company's results in the future may differ materially from those which are expressed or implied by these forward-looking statements.

Important factors which could cause differences include the sensitivity of the company's revenue to market prices of uranium and gold, competition, the impact of changes in foreign currency exchange rates, environmental considerations, political developments, particularly in the developing countries in which the company operates, changes in government regulations and policies including trade laws, demand for nuclear power, replacement of production, and receipt of permits and approvals from governmental authorities.

Contractor employee and refrigeration specialist Eli Abdilnour monitors compressor activity in the surface freeze plant at the McArthur River mine. The plant is connected to a system of pipes which is used to freeze the area around the orebody, preventing water inflow underground.



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REPORT OF MANAGEMENT'S ACCOUNTABILITY

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in the annual report and reflect the corporation's business transactions and financial position.

The integrity and reliability of Cameco's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and appropriate delegation of authority and division of responsibilities. Internal accounting controls are monitored by the internal auditor. Cameco's code of ethics, which is communicated to all levels in the organization, requires employees to maintain high standards in their conduct of the corporation's affairs.

Our shareholders' independent auditors, KPMG LLP, whose report on their examination follows, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The board of directors annually appoints an audit committee comprised of directors who are not employees of the corporation. This committee meets regularly with management, the internal auditor and the shareholders' auditors to review significant accounting, reporting and internal control matters. Both the internal and shareholders' auditors have unrestricted access to the audit committee. Following its review of the financial statements and the report of the shareholders' auditors, the audit committee submits its report to the board of directors for formal approval of the financial statements.

AUDITORS' REPORT

To the Shareholders of Cameco Corporation

We have audited the consolidated balance sheets of Cameco Corporation as at December 31, 1999 and 1998 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three year period ended December 31, 1999. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 1999 in accordance with Canadian generally accepted accounting principles.

Original signed by KPMG LLP
Chartered Accountants
Saskatoon, Canada
February 3, 2000

Original signed by David M. Petroff
Senior Vice-President, Finance and Administration
and Chief Financial Officer
February 3, 2000

CONSOLIDATED BALANCE SHEETS

As at December 31

1999

(Thousands)

1998

Assets

Current assets

Cash	\$ 45,469	\$ 36,466
Accounts receivable [note 3]	138,691	124,247
Inventories [note 4]	356,828	344,451
Supplies and prepaid expenses	47,695	51,467
	<u>588,683</u>	<u>556,631</u>

Property, plant and equipment [note 5]	2,135,843	1,989,011
Long-term receivables, investments and other [note 6]	175,736	210,160
Inventories [note 4]	63,881	182,805
Total assets	<u>\$2,964,143</u>	<u>\$ 2,938,607</u>

Liabilities and Shareholders' Equity

Current liabilities

Short-term debt [note 7]	\$ —	\$ 32,651
Accounts payable and accrued liabilities	105,873	116,335
Dividends payable	7,160	7,207
Current portion of long-term debt [note 8]	30,241	28,631
Current portion of other liabilities [note 10]	5,568	14,406
Deferred income taxes [note 16]	32,549	34,123
	<u>181,391</u>	<u>233,353</u>

Long-term debt [note 8]	328,963	540,116
Provision for reclamation [note 9]	103,411	105,995
Other liabilities [note 10]	15,618	19,052
Deferred income taxes [note 16]	412,417	136,817
	<u>1,041,800</u>	<u>1,035,333</u>

Shareholders' equity

Preferred securities [note 11]	176,248	186,985
Share capital [note 12]	683,787	687,658
Contributed surplus [note 12]	490,771	496,745
Retained earnings	552,154	509,326
Cumulative translation account [note 13]	19,383	22,560
	<u>1,922,343</u>	<u>1,903,274</u>

Total liabilities and shareholders' equity	<u>\$2,964,143</u>	<u>\$2,938,607</u>
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Commitments and contingencies [notes 8, 9, 19, 25]

See accompanying notes to consolidated financial statements.

Approved by the board of directors

Original signed by Nancy E. Hopkins and Allan E. Blakeney

CONSOLIDATED STATEMENTS OF EARNINGS

For the year ended December 31	1999	1998 (Thousands)	1997
Revenue from			
Products and services	\$ 741,592	\$ 718,949	\$ 642,945
Expenses			
Products and services sold	428,904	400,632	316,108
Depreciation, depletion and reclamation	136,863	126,669	122,676
Administration	35,720	39,516	27,213
Exploration	22,633	30,609	32,023
Research and development	2,331	2,671	1,893
Interest, net [note 14]	3,420	(1,609)	(7,962)
Writedown of mineral properties [note 5]	45,523	15,964	—
Gain on sale of property interests [note 23]	(13,129)	—	—
	662,265	614,452	491,951
Earnings from operations [note 27]	79,327	104,497	150,994
Other expenses [note 15]	2,028	11,579	3,958
	77,299	92,918	147,036
Earnings before income taxes	77,299	92,918	147,036
Income tax expense (recovery) [note 16]	(2,738)	47,274	65,057
Net earnings	80,037	45,644	81,979
Preferred securities charges, net of tax [note 11]	8,835	1,980	—
Net earnings attributable to common			
shares [note 27]	\$ 71,202	\$ 43,664	\$ 81,979
Net earnings per common share [note 27]	\$ 1.24	\$ 0.76	\$ 1.51

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the year ended December 31	1999	1998 (Thousands)	1997
Retained earnings at beginning of year	\$ 509,326	\$ 494,608	\$ 440,206
Net earnings	80,037	45,644	81,979
Dividends on common shares	(28,374)	(28,946)	(27,577)
Preferred securities charges, net of tax [note 11]	(8,835)	(1,980)	—
Retained earnings at end of year	\$ 552,154	\$ 509,326	\$ 494,608

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31

1999

1998
(Thousands)

1997

Operating activities

Net earnings	\$ 80,037	\$ 45,644	\$ 81,979
Items not requiring (providing) cash:			
Depreciation, depletion and reclamation	136,863	126,669	122,676
Provision for deferred taxes (recovery) [note 16]	(12,004)	38,148	58,847
Writedown of mineral properties [note 5]	45,523	15,964	—
Gain on sale of property interests [note 23]	(13,129)	—	—
Deferred revenue recognized	(12,793)	(15,610)	(8,384)
Other non-cash items	3,670	11,579	3,958
Other operating items [note 17]	21,245	14,430	(96,970)
Cash provided by operations [note 27]	249,412	236,824	162,106

Investing activities

Additions to property, plant and equipment	(211,551)	(158,623)	(126,143)
Change in long-term receivables, investments and other	5,058	10,524	(49,042)
Proceeds on sale of property interests [note 23]	239,177	—	—
Acquisition of net business assets [note 24]	—	(548,128)	(155,975)
Proceeds on sale of property, plant and equipment	3,896	2,427	6,315
Cash provided by (used in) investing	36,580	(693,800)	(324,845)

Financing activities

Increase in debt	98,289	407,906	150,412
Repayment of debt	(324,184)	(155,461)	(63,699)
Restricted cash	3,825	(15,769)	—
Issue of shares, net of issue costs	2,544	2,866	198,188
Shares repurchased	(12,394)	—	—
Issue of preferred securities, net of issue costs	—	176,736	—
Preferred securities charges	(16,361)	(3,638)	—
Dividends	(28,708)	(28,920)	(27,043)
Cash provided by (used in) financing	(276,989)	383,720	257,858

Increase (decrease) in cash during the year	9,003	(73,256)	95,119
Cash at beginning of year	36,466	109,722	14,603
Cash at end of year	\$ 45,469	\$ 36,466	\$ 109,722

Supplemental cash flow disclosure

Interest paid	\$ 32,968	\$ 32,496	\$ 29,945
Income taxes paid	\$ 14,599	\$ 5,148	\$ 6,425

See accompanying notes to consolidated financial statements.

For the years ended December 31, 1999, 1998 and 1997

1. Cameco Corporation (Cameco)

Cameco is incorporated under the Canada Business Corporations Act. Cameco is primarily engaged in the exploration for and the development, mining, refining and conversion of uranium for sale as fuel for generating electricity in nuclear power reactors in Canada and other countries. Cameco is also involved in the exploration for and the development, mining and sale of gold.

2. Accounting Policies

A summary of significant accounting policies of Cameco follows the notes to the consolidated financial statements.

3. Accounts Receivable

	1999	1998
	(Thousands)	
Trade receivables	\$ 135,024	\$ 121,974
Current portion of long-term receivables [note 6]	3,667	2,273
Total	\$ 138,691	\$ 124,247

4. Inventories

	1999	1998
	(Thousands)	
Nuclear		
Concentrate	\$ 327,750	\$ 379,095
Broken ore	53,568	111,490
Conversion	32,184	31,127
	413,502	521,712
Gold		
Broken ore	6,470	4,533
Finished	737	1,011
	7,207	5,544
Total inventories	420,709	527,256
Less non-current inventories	(63,881)	(182,805)
Net	\$ 356,828	\$ 344,451

5. Property, Plant and Equipment

	Cost	Accumulated Depreciation and Depletion	1999 Net	1998 Net
			(Thousands)	
Nuclear				
Mining	\$ 1,452,225	\$ 816,419	\$ 635,806	\$ 708,470
Development	1,205,040	—	1,205,040	885,039
Conversion	235,474	96,126	139,348	147,629
Gold				
Mining	206,672	68,762	137,910	227,466
Other	44,612	26,873	17,739	20,407
Total	\$3,144,023	\$1,008,180	\$2,135,843	\$1,989,011

In 1999, after a prolonged period of depressed gold prices, Cameco reduced the carrying value of its investment in the Kumtor gold mine by \$45,523,000. The amount of the writedown was determined based on estimated future net cash flows assuming a future gold price of \$300 (US) per ounce.

In 1998, Cameco recorded a writedown of \$15,964,000 relating to certain of its in situ leach development properties located in the United States.

6. Long-Term Receivables, Investments and Other

	1999	1998
		(Thousands)
Kumtor Gold Company		
Subordinated loan – principal [note 19]	\$ 103,376	\$ 109,622
Subordinated loan – interest	11,462	1,049
Restricted cash – debt reserve	11,071	15,769
Advances receivable	23,851	23,024
Long-term investment (market \$27,923)	17,564	19,141
Deferred charges	–	27,432
Investment in associated company	–	2,746
Other	12,079	13,650
	179,403	212,433
Less current portion [note 3]	(3,667)	(2,273)
Net	\$ 175,736	\$ 210,160

The security agreement between Kumtor Gold Company (KGC) and the senior debt lenders to the project requires funds sufficient to meet those senior debt principal and interest payments scheduled to occur over the ensuing six months to be held in a debt reserve account until paid.

7. Short-Term Debt

In 1998, Cameco had unsecured short-term facilities available totalling \$55,000,000 of which \$32,651,000 was drawn at December 31, 1998 at an average rate of 5.3%. These facilities matured in May of 1999.

8. Long-Term Debt

	1999	1998
		(Thousands)
Kumtor Gold Company [note 19]		
Senior debt	\$ 91,890	\$ 122,610
Subordinated debt	9,622	10,203
Commercial paper	102,081	316,057
Debentures	98,588	–
Bank debt	50,516	113,155
Cameco share savings bonds [note 20]	6,507	6,722
	359,204	568,747
Less current portion	(30,241)	(28,631)
Net	\$ 328,963	\$ 540,116

Cameco has a \$400,000,000 unsecured long-term revolving credit facility that is available until February 18, 2003 and bears interest at margins over bankers acceptances and LIBOR of 0.17%. Amounts drawn under the long-term revolving credit facility are classified as long-term debt up to the limit available under the facility. Amounts outstanding are:

- Commercial paper of \$102,081,000 (1998 - \$316,057,000) bearing interest at an average rate of 6.1% (1998 - 5.3%).
- Bank debt of \$35,000,000 (US) (\$50,516,000 (Cdn)) drawn as LIBOR-based loans at an average rate of 6.4%.
At December 31, 1998, \$32,038,000 was drawn as bankers acceptances at an average rate of 6.0% and \$53,000,000 (US) (\$81,117,000 (Cdn)) as LIBOR-based loans at an average rate of 5.6%.

Cameco completed a \$100,000,000 debt issuance on July 12, 1999 in the form of senior unsecured debentures. These debentures bear interest at a rate of 6.9% per annum and will mature July 12, 2006.

Cameco has a \$15,000,000 overdraft facility and \$221,248,000 (\$113,000,000 (Cdn) and \$75,000,000 (US)) in letter of credit facilities. Outstanding letters of credit at December 31, 1999 amounted to \$130,765,000 (1998 - \$125,600,000).

The table below represents scheduled repayments of long-term debt over the next five years and thereafter, including Cameco's one-third share of Kumtor Gold Company principal repayments on debt and Cameco's share savings plan payments.

	(Thousands)
2000	\$ 30,241
2001	23,734
2002	23,734
2003	168,874
2004	4,410
thereafter	108,211
Total	\$ 359,204

Pursuant to the terms of the Kumtor financing arrangements [note 19], Cameco has guaranteed, subject to exclusions in respect of defined political force majeure events, the repayment of Kumtor's senior debt. Cameco's contingent obligations under these guarantees exceed the amount included in Cameco's long-term debt as at December 31, 1999 by \$183,780,000 (1998 - \$245,220,000).

9. Provision for Reclamation

	1999	1998
	(Thousands)	
Nuclear		
Mining	\$ 50,121	\$ 54,000
Conversion	48,565	47,395
Gold	4,725	4,600
Total	\$ 103,411	\$ 105,995

Cameco's estimates of decommissioning and reclamation costs are based on reclamation standards which meet or exceed regulatory requirements and are stated in current dollars. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives and amounts to be recovered from other parties.

Cameco estimates total future decommissioning and reclamation costs for its operating assets to be \$221,000,000. These estimates are formally reviewed by Cameco technical personnel at least every two years or more frequently as required by regulatory agencies. These costs are accrued and charged to operations using the unit-of-production method so that the estimated future liability will be fully provided when decommissioning and reclamation activities are undertaken. In connection with future decommissioning and reclamation costs, Cameco has provided all required financial assurances satisfying current regulatory requirements.

10. Other Liabilities

	1999	1998
	(Thousands)	
Deferred revenue	\$ 11,369	\$ 22,488
Provision for post-employment benefits	2,411	2,258
Borrowed product	—	720
Other	7,406	7,992
	21,186	33,458
Less current portion	(5,568)	(14,406)
Net	\$ 15,618	\$ 19,052

11. Preferred Securities

In 1998, Cameco issued \$125,000,000 (US), 8.75% preferred securities in denominations of \$25 (US) each due September 30, 2047 accruing interest from the date of issuance payable quarterly commencing December 31, 1998.

Cameco has the right to defer, subject to certain conditions, payments of interest on the preferred securities for a period of up to 20 consecutive quarterly periods, provided that no such extension period may extend beyond the stated maturity of the preferred securities. Except in certain limited circumstances, during any extension period, Cameco shall not pay or declare dividends on any of its capital stock (except by way of stock dividend). There may be multiple extension periods of varying lengths, each of up to 20 consecutive quarterly periods, throughout the term of the preferred securities. During any extension period, interest will accrue but will not compound. Cameco may satisfy its obligation to pay deferred interest on any applicable interest payment date by delivering to the trustee common shares of Cameco. The holders of the preferred securities shall be entitled to receive cash payments equal to the deferred interest from the proceeds of the sale of the common shares by the trustee.

The preferred securities are redeemable, at the option of Cameco, in whole or in part at any time on or after October 14, 2003 at a redemption price equal to 100% of the principal amount of the preferred securities to be redeemed plus any accrued and unpaid interest thereon to the date of redemption.

Cameco may satisfy its obligation to pay the applicable redemption price or the principal amount of the preferred securities plus accrued and unpaid interest thereon on the applicable payment date by delivering to the trustee common shares of Cameco. The holders of the preferred securities shall be entitled to receive cash payments equal to the applicable redemption price of the principal amount of the preferred securities plus accrued and unpaid interest thereon from the proceeds of the sale of the common shares by the trustee.

The principal amounts of the preferred securities, net of after tax issue costs of \$4,330,000 (Cdn) have been classified as equity, and interest payments on an after tax basis will be classified as distributions of equity, as Cameco has the unrestricted ability to settle its obligations by delivering common shares to the trustee.

12. Share Capital

Authorized share capital:

- Unlimited number of first preferred shares
- Unlimited number of second preferred shares
- Unlimited number of voting common shares, and
- One Class B share

(a) Common Shares

Number issued	1999	1998 (Number of Shares)	1997
Beginning of year	57,655,562	57,445,444	53,175,458
Issued:			
Shares repurchased	(535,000)	—	—
Public offering	—	—	4,000,000
Share savings plan [note 20]	94,640	75,418	112,436
Stock option plan [note 21]	23,267	124,700	147,550
Agreement for services	—	10,000	10,000
Issued share capital	57,238,469	57,655,562	57,445,444

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amount	1999	1998 (Thousands)	1997
Beginning of year	\$ 698,475	\$ 693,192	\$ 486,988
Issued:			
Shares repurchased	(6,420)	—	—
Public offering	—	—	199,229
Share savings plan [note 20]	1,064	849	1,264
Stock option plan [note 21]	441	4,264	5,541
Agreement for services	—	170	170
Issued share capital	693,560	698,475	693,192
Less loans receivable [note 21]	(9,773)	(10,817)	(8,400)
End of year	\$ 683,787	\$ 687,658	\$ 684,792

- (i) On September 27, 1999, Cameco announced an open market share repurchase program for cancellation of up to 2.9 million of its common shares, representing 5% of its common shares then outstanding. This repurchase program is authorized to be in effect until September 28, 2000. As of December 31, 1999, 535,000 shares had been repurchased under this program at a cost of \$12,394,000. The excess of the repurchase cost of these shares over their book value, amounting to \$5,974,000, has been charged to contributed surplus.
- (ii) A maximum of 612,266 shares can be issued under the exchange privileges available to owners of Cameco share savings bonds under the terms of the Cameco share savings plan up to December 31, 2000 [note 20].
- (iii) Options in respect of 1,763,933 shares are outstanding under the stock option plan and are exercisable up to 2007 [note 21]. Upon exercise of certain existing options, additional options in respect of 386,200 shares would be granted.
- (iv) The aggregate number of common shares that may be issued, after December 5, 1995, pursuant to the Cameco share savings plan [note 20], stock option plan [note 21] and pursuant to any other compensation arrangement of Cameco, shall not exceed 5,243,403, of which 1,122,124 (1998 - 1,004,217) shares have been issued.

(b) Class B Share

One Class B share issued during 1988 and assigned \$1 of share capital, entitles the shareholder to vote separately as a class in respect of any proposal to locate the head office of Cameco to a place not in the province of Saskatchewan.

13. Cumulative Translation Account

The balance of \$19,383,000 (1998 - \$22,560,000) represents the cumulative unrealized net exchange gain on Cameco's net investment in foreign operations, and on the foreign debt and preferred securities designated as hedges of the net investment.

14. Interest

	1999	1998 (Thousands)	1997
Interest expense			
Short-term debt	\$ 2,758	\$ 4,498	\$ 8,588
Long-term debt	29,779	28,042	13,129
Interest income	(9,192)	(20,342)	(15,876)
Capitalized interest	(19,925)	(13,807)	(13,803)
Net	\$ 3,420	\$ (1,609)	\$ (7,962)

15. Other Expenses

	1999	1998 (Thousands)	1997
Provision for decline in value of investment			
in associated company	\$ 2,746	\$ 9,401	\$ —
Dividend on long-term investment	(1,641)	—	—
Other	923	2,178	3,958
Total	\$ 2,028	\$ 11,579	\$ 3,958

16. Income Taxes

In the second quarter of 1999, Cameco changed its policy for accounting for income taxes by adopting, effective January 1, 1999, the new accounting standard for income taxes of the Canadian Institute of Chartered Accountants. The effect of adopting this standard in the current year was to increase property, plant and equipment by \$292 million with an offsetting increase in deferred income taxes payable arising from adjustments of previous acquisitions. This standard has been applied without restatement of prior year financial statements. The significant components of deferred income tax assets and liabilities at December 31 are as follows:

	1999	1998
		(Thousands)
Property, plant and equipment	\$ 18,324	\$ -
Provision for reclamation	36,725	40,277
Foreign exploration and development	36,998	28,843
Other	3,416	16,644
Deferred income tax assets before valuation allowance	95,463	85,764
Valuation allowance	(31,579)	(7,702)
Deferred income tax assets, net of valuation allowance	\$ 63,884	\$ 78,062
Property, plant and equipment	\$ 470,474	\$ 196,770
Inventories	38,376	52,232
Deferred income tax liabilities	\$ 508,850	\$ 249,002
Net deferred income tax liabilities	\$ 444,966	\$ 170,940
Less current portion	(32,549)	(34,123)
	\$ 412,417	\$ 136,817

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

	1999	1998	1997
		(Thousands)	
Earnings before income taxes	\$ 77,299	\$ 92,918	\$ 147,036
Combined federal and provincial tax rate	45.9%	45.9%	45.8%
Computed income tax expense	35,480	42,649	67,342
Increase (decrease) in taxes resulting from:			
Provincial royalties and other taxes	18,074	18,645	18,650
Federal resource allowance	(12,852)	(12,240)	(19,837)
Difference between Canadian rate and rates applicable to subsidiaries in other countries	695	(9,356)	(6,493)
Writedown of mineral properties	15,380	660	-
Sale of property interests [note 23]	(59,325)	-	-
Large corporations and other taxes	5,496	4,863	5,601
Other	(5,686)	2,053	(206)
Net income tax expense	\$ (2,738)	\$ 47,274	\$ 65,057

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	1999	1998 (Thousands)	1997
Current income taxes			
Canada	\$ 8,250	\$ 8,558	\$ 5,601
United States	—	72	466
Other	1,016	496	143
	\$ 9,266	\$ 9,126	\$ 6,210
Deferred income taxes (recovery)			
Canada	\$ (10,536)	\$ 45,058	\$ 67,216
United States	—	(4,911)	(2,311)
Other	(1,468)	(1,999)	(6,058)
	\$ (12,004)	\$ 38,148	\$ 58,847
Net	\$ (2,738)	\$ 47,274	\$ 65,057

17. Other Operating Items

	1999	1998 (Thousands)	1997
Changes in non-cash working capital:			
Accounts receivable	\$ (11,908)	\$ 8,049	\$ (19,669)
Interest receivable	(10,421)	25,891	(14,643)
Inventories	47,926	51,421	(114,498)
Supplies and prepaid expenses	3,772	(8,029)	(8,757)
Accounts payable and accrued liabilities	(12,464)	(5,585)	24,362
Other liabilities	(17,306)	(29,095)	19,136
Hedge position settlements	28,490	(16,897)	22,137
Reclamation payments	(8,211)	(12,028)	(3,550)
Other	1,367	703	(1,488)
Total	\$ 21,245	\$ 14,430	\$ (96,970)

18. Joint Ventures

Certain of Cameco's development, mining and milling activities are conducted through joint ventures as follows:

	Operator	1999	1998 (% Participation)	1997
Uranium				
Producing:				
Key Lake [notes 23 and 24]	Cameco	83.33	100.00	66.67
Rabbit Lake	Cameco	100.00	100.00	66.67
Crow Butte	Crow Butte Resources, Inc.	90.00	90.00	32.31
Non-producing:				
McArthur River				
[notes 23 and 24]	Cameco	69.81	83.77	55.84
Cigar Lake ^(a)	Cigar Lake Mining Corp.	50.03	48.75	48.75
Gold				
Producing:				
Kumtor Gold Company	Cameco	33.33	33.33	33.33
Non-producing:				
Contact Lake	Cameco	83.33	100.00	66.67

(a) During 1999, Cameco purchased an additional 1.275% interest in the Cigar Lake Joint Venture.

Production expenses relating to mining and milling activities are included in the cost of inventory. Certain of the joint ventures allocate inventory to each of the joint venture participants and the joint venture participants derive revenue directly from the sale of such inventory. Cameco's share of assets and liabilities of these joint ventures is as follows:

	1999	1998 (Thousands)
Current assets	\$ 13,370	\$ 6,815
Property, plant and equipment, at cost	1,043,998	423,414
	\$1,057,368	\$ 430,229
Current liabilities	\$ 21,853	\$ 16,660
Provision for reclamation	6,787	5,792
Net investment		
Uranium	1,025,522	407,777
Gold	3,206	—
	\$1,057,368	\$ 430,229

For the Kumtor gold joint venture, which obtains revenue from the sale of products, Cameco's share of the assets and liabilities, revenue and expenses is as follows:

	1999	1998 (Thousands)
Current assets	\$ 41,865	\$ 49,375
Property, plant and equipment	149,267	191,328
	\$ 191,132	\$ 240,703
Current liabilities	\$ 4,149	\$ 6,614
Long-term liabilities	164,409	200,297
Equity	22,574	33,792
	\$ 191,132	\$ 240,703

	1999	1998 (Thousands)	1997
Revenues	\$ 96,934	\$ 109,349	\$ 69,812
Expenses	(105,934)	(109,020)	(61,345)
Net earnings (loss)	\$ (9,000)	\$ 329	\$ 8,467
Cash provided by (used in)			
Operating activities	\$ 21,667	\$ 18,604	\$ 21,224
Investing activities	(1,406)	(3,209)	(17,615)
Financing activities	(23,734)	(12,584)	13,800
Increase (decrease) in cash during the year	\$ (3,473)	\$ 2,811	\$ 17,409

The above figures represent Cameco's proportionate share of the Kumtor gold joint venture. Cameco has reduced the carrying value of its total investment in the Kumtor gold project by \$45,523,000 [note 5].

19. Kumtor Gold Company (KGC) Joint Venture

On May 26, 1994, Cameco, the Republic of Kyrgyzstan and Kyrgyzaltyn, an instrumentality of the Republic, signed an amended joint venture master agreement that provided for the exploration, development, operation and arrangement of financing, of the Kumtor gold project by Cameco. KGC was formed in the Republic of Kyrgyzstan as a joint stock company to hold the assets of the Kumtor gold project pursuant to the master agreement. Kyrgyzaltyn holds a two-thirds interest in KGC and Cameco holds a one-third interest.

Cameco has guaranteed, subject to exclusions in respect of defined political force majeure events, the repayment of Kumtor's senior debt.

Cameco has proportionately consolidated its one-third interest in KGC.

KGC's long-term debt at December 31, is as follows:

	1999	1998
	(Thousands)	
Senior debt:		
• Commercial banks \$108,500,000 (1998 - \$139,500,000) (US) repayable in seven remaining equal semi-annual instalments, with interest based on LIBOR plus 0.7%. Political risk insurance has been purchased separately by KGC.	\$ 156,598	\$ 213,505
• Export Development Corporation (EDC) \$37,500,000 (1998 - \$45,833,000) (US)	54,124	70,147
• International Finance Corporation (IFC) \$22,500,000 (1998 - \$27,500,000) (US)	32,474	42,089
• European Bank for Reconstruction and Development (EBRD) \$22,500,000 (1998 - \$27,500,000) (US)	32,474	42,089
The EDC, IFC and EBRD interest rate is based on LIBOR plus 3% which includes a premium for political risk insurance. These loans are repayable in nine remaining equal semi-annual instalments.		
The senior debt is secured by the assets and shares of KGC.		
Total senior debt	\$ 275,670	\$ 367,830
Subordinated debt:		
• Shareholder loan from Cameco with interest based on LIBOR plus 6%, repayable in 12 equal semi-annual instalments scheduled to commence on December 2, 1999. \$107,437,276 (1998 - \$107,437,276)(US). In accordance with the terms of the loan agreement, the first payment has been deferred.	155,064	164,433
• EBRD \$10,000,000 (1998 - \$10,000,000) (US)	14,433	15,305
• IFC \$10,000,000 (1998 - \$10,000,000) (US)	14,433	15,305
The IFC and EBRD subordinated debt is repayable in four equal semi-annual instalments commencing on December 2, 2005, extendable at the option of EBRD or IFC to commence no later than December 2, 2013. The interest rate applicable to the EBRD and IFC subordinated debt is based on the cash generated by the project subject to a minimum interest rate. The annualized rate for 1999 was approximately 5.0% (1998 - 9.7%).		
Total KGC debt	\$ 459,600	\$ 562,873

Cameco's one-third proportionate share of KGC senior debt is \$91,890,000 (1998 - \$122,610,000) and of KGC's third party subordinated debt is \$9,622,000 (1998 - \$10,203,000) [note 8].

20. Cameco Share Savings Plan

On December 31, 1990, Cameco issued 10-year, 11% redeemable and exchangeable bonds registered to subscribing employees. At the option of employees, bonds may be exchanged or redeemed at the end of any calendar quarter. Bonds have been exchanged for shares of Cameco as disclosed in note 12.

Under terms of the plan, Cameco agreed to provide financing to employees to purchase the bonds, and agreed to partially match the employees' repayment of the loans. Loan balances are required to be fully repaid at the time of exchange. Cameco's maximum commitment under this matched repayment program is \$402,000.

The outstanding bonds and loans receivable are as follows:

	1999	(Thousands)	1998
Cameco share savings bonds	\$ 7,299		\$ 8,373
Less loans receivable	(792)		(1,651)
Net	\$ 6,507		\$ 6,722

21. Stock Option Plan

Cameco has established a stock option plan under which options to purchase common shares may be granted to directors, officers and other employees of Cameco. Options granted under the stock option plan have an exercise price of not less than the closing price quoted on The Toronto Stock Exchange for the common shares of Cameco on the trading day prior to the date on which the option is granted. The options expire 10 years from the date of the grant of the option.

During 1999, Cameco amended the stock option plan and ceased to offer loans to assist in the purchase of common shares pursuant to the exercise of options. The options available under the amended stock option plan expire eight years from the grant of the option.

Prior to 1999, participants were eligible to receive loans from Cameco to assist in the purchase of common shares pursuant to the exercise of options. The maximum term of the loans was 10 years from the date of the grant of the related option. The loans bear interest at a rate equivalent to the regular dividends paid on the common shares to which the loans were provided. Common shares purchased by way of a company loan are held in escrow in the account of the option holder and are pledged as security for the respective loan until the loan has been repaid in full.

Outstanding loans are shown as a reduction of share capital.

Stock option transactions for the respective years were as follows:

	1999	1998	1997
		(Number of Shares)	
Beginning of year	1,445,325	1,173,775	878,075
Options granted	430,500	461,400	471,500
Options exercised [note 12]	(23,267)	(124,700)	(147,550)
Options cancelled	(88,625)	(65,150)	(28,250)
End of year	1,763,933	1,445,325	1,173,775
Exercisable	856,683	749,025	558,150

Weighted average exercise prices were as follows:

	1999	1998	1997
Beginning of year	\$ 46.45	\$ 47.28	\$ 43.91
Options granted	31.75	41.48	50.89
Options exercised	18.95	34.20	37.56
Options cancelled	48.47	49.75	53.21
End of year	\$ 43.12	\$ 46.45	\$ 47.28
Exercisable	\$ 46.95	\$ 40.52	\$ 41.24

Total options outstanding and exercisable at December 31, 1999 were as follows:

1999		Options Outstanding		Options Exercisable	
Option Price Per Share	Number	Weighted Average Remaining Life	Weighted Average Exercisable Price	Number	Weighted Average Exercisable Price
\$15.00-35.00	776,683	7.2 years	\$29.27	349,233	\$26.28
35.01-55.00	705,850	8.5 years	46.12	231,300	45.61
55.01-75.50	281,400	7.0 years	73.86	276,150	74.20

22. Pension Plans

Cameco's pension plans, which cover substantially all full-time employees, are defined contribution plans. Cameco's obligations are limited to matching the contributions made by employees for current services and are charged to operations.

23. Sale of Property Interests

On July 8, 1999, Cameco completed a series of transactions to effect the sale of a 16.67% interest in the Key Lake operation, a 13.91% interest in the McArthur River uranium project and its 20% interest in the proposed Midwest uranium project. As a result of this disposition, Cameco decreased its ownership interest in the Key Lake operation to 83.33% and McArthur River project to 69.81%. These transactions were accounted for as follows:

	(Thousands)
Proceeds on sale	\$ 250,900
Less cash sold	(11,723)
Net proceeds on sale	239,177
Less carrying values of property interests	(226,048)
Gain on disposition before tax recovery	13,129
Deferred tax recovery [note 16]	59,325
Gain on sale of property interests	\$ 72,454

24. Property and Business Acquisitions

In 1998, Cameco purchased all of the outstanding shares of Uranerz Exploration and Mining Limited and Uranerz U.S.A., Inc. (collectively Uranerz). The principal assets acquired in connection with the acquisition consisted of interests of 27.92% in the McArthur River project, 33.33% in the Key Lake mine and mill, 33.33% in the Rabbit Lake mine and mill and 57.69% in the Crow Butte mine and mill. As a result of the Uranerz acquisition, Cameco increased its ownership interest in the McArthur River project to 83.77%, in each of the Key Lake, Rabbit Lake and Contact Lake operations to 100% and in the Crow Butte operation to 90%. The purchase price of \$490,220,000 plus accrued interest of \$5,738,000 was paid in cash. Integral to the acquisition was the purchase of a 6.45% interest in Energy Resources of Australia Ltd (ERA) for \$58,002,000. For accounting purposes, the excess of the purchase price of the ERA shares over their market value at time of closing of \$19,141,000 has been included in the acquisition cost of Uranerz.

The acquisition has been accounted for using the purchase method of accounting and the results of operations are included in Cameco's consolidated financial statements from the effective date of purchase.

	(Thousands)
Net assets acquired were:	
Working capital	\$ 2,857
Long-term receivables, investments and other	19,141
Property, plant and equipment	576,655
Long-term liabilities	(44,693)
Net assets acquired	553,960
Less cash acquired	(5,832)
Net	<u>\$ 548,128</u>

25. Commitments and Contingencies

- (a) Under the terms of the agreement to transfer assets from Canada Eldor Inc. to Cameco, Canada Eldor Inc. and Cameco along with the government of Canada, agreed on a formula for sharing any future joint costs, excluding normal operating costs, related to certain specified existing wastes, accumulated by Canada Eldor Inc., and transferred to Cameco on October 5, 1988, the date of transfer of assets. Pursuant to the cost sharing formula, Cameco assumed liability for the first \$2,000,000 of joint costs and 23/98ths of the next \$98,000,000. The government of Canada and Canada Eldor Inc. assumed the liability for the remaining 75/98ths and for all costs in excess of \$100,000,000.

Cameco's maximum liability for joint costs related to certain specified existing wastes, calculated pursuant to the formula, is \$25,000,000. A total of \$5,313,000 (1998 - \$4,900,000) has been spent to date.

- (b) Cameco is a co-defendant, with Canada Eldor Inc., in a lawsuit brought in 1993 on behalf of certain members of the Eldorado Pension Plan (plan). The lawsuit is based on the fact that approximately \$15,500,000 of plan expenses and employer contributions was funded from the plan surplus rather than from the co-defendants.

The co-defendants have a number of defences which continue to be vigorously pursued. Management remains of the opinion, after review of the facts with counsel, that the outcome of this case will not have a material impact on Cameco's financial position, results of operations or liquidity.

- (c) An action against Cameco, Cameco Gold Inc., Kumtor Operating Company and certain other parties commenced in a Canadian court by certain dependants of nine persons seeking damages, in the amount of \$20,700,000 plus interest and costs including punitive damages, in connection with the death of the said nine persons in a helicopter accident in Kyrgyzstan on October 4, 1995, is continuing. This action is being defended by the insurers of Cameco. Management is of the opinion, after review of the facts with counsel, that the outcome of this action will not have a material financial impact on Cameco's financial position, results of operations or liquidity.

26. Financial Instruments

The majority of revenues are derived from the sale of uranium products. Cameco's financial results are closely related to the long and short-term market price of uranium and conversion services. Prices are subject to fluctuation and are affected by demand for nuclear power, worldwide production and inventory levels, and political and economic conditions in uranium producing and consuming countries. Revenue from gold operations is largely dependent on the market price of gold which is subject to significant fluctuation affected by industry and economic factors and worldwide production and central banks' inventory levels. Financial results are also impacted by changes in foreign currency exchange rates, interest rates and other operating risks.

To hedge risks associated with fluctuations in the market price for uranium, Cameco seeks, when market conditions permit, to maintain a portfolio of uranium contracts with a variety of delivery dates and pricing mechanisms which provides a degree of protection from price volatility. To hedge risks associated with gold prices and foreign currency exchange rates, Cameco employs a number of financial instruments. Cameco uses a series of put and call options to establish a minimum and maximum price range for gold sales and exchange rates for cash flows denominated in a foreign currency. Cameco also enters into forward sales contracts which establish a price for future deliveries of gold and US dollars. Net realized gains (losses) on contracts designated as hedges are recorded as deferred revenues (deferred charges) and recognized in earnings when the original hedged transaction occurs.

Instruments such as swaps, puts and calls and forward rate agreements are used by Cameco to manage funding costs and reduce the impact of interest rate volatility.

Financial assets which are subject to credit risks include cash and securities, accounts receivable and commodity and currency instruments. Cameco mitigates credit risk on these financial assets by holding positions with a variety of large creditworthy institutions. Sales of uranium are to creditworthy utility customers with short payment terms.

Except as disclosed below, the fair market value of Cameco's financial assets and financial liabilities approximates net book value as a result of the short-term nature of the instrument or the variable interest rate associated with the instrument.

Currency

At December 31, 1999, Cameco had hedged \$621,228,000 (US) at an average spot exchange rate of \$1.4733, designated to various dates through 2003 as follows:

	(Thousands)
2000	\$ 251,228
2001	185,000
2002	128,000
2003	57,000
Total	\$ 621,228

These hedge positions consist of spot-deferred forward contracts (\$601,228,000 (US)) and put options (\$20,000,000 (US)). Cameco also sold call options totalling \$40,000,000 (US) at an average exchange rate of \$1.4991. At December 31, 1999, Cameco's net mark-to-market gain on these foreign currency instruments was \$18,286,000 (Cdn).

Interest

At December 31, 1999, Cameco had in place \$58,299,000 (\$15,000,000 (Cdn) and \$30,000,000 (US)) of interest rate swaps with maturity dates in 2000 and 2006. The mark-to-market loss on these positions was \$228,000 (Cdn).

Commodity

At December 31, 1999, Cameco's share of Kumtor gold hedging positions consisted of:

	Amount Hedged (Thousands oz)	Average Price (US\$/oz)
Spot deferred forward contracts	269	\$ 308
Put options purchased	109	244
Call options sold	120	304

These positions have been designated against deliveries in 2000 (151,000 ounces), 2001 (96,000 ounces), 2002 (70,000 ounces), 2003 (48,000 ounces) and 2004 (13,000 ounces).

Average prices reflect contract prices as at December 31, 1999 and are expected to accrue contango until the delivery date of the contract. The rate of contango earned will depend on the difference between future US interest rates and gold lease rates.

At December 31, 1999, the net mark-to-market gain, excluding amounts reflected as deferred revenue [note 10], on the above instruments was \$2,428,000 (US).

27. Per Share Amounts

Per share amounts have been calculated based on the weighted average number of common shares outstanding during the year net of shares held as security for employee loans to purchase shares. The weighted average number of paid shares outstanding in 1999 was 57,380,167 (1998 - 57,277,116; 1997 - 54,413,333).

	1999	1998 (Per Share)	1997
Cash provided by operations	\$ 4.35	\$ 4.13	\$ 2.98
Earnings from operations	\$ 1.38	\$ 1.82	\$ 2.77
Net earnings	\$ 1.24	\$ 0.76	\$ 1.51

28. Segmented Information

Cameco has two reportable segments: nuclear and gold. The nuclear segment involves the mining, milling, refining and conversion of uranium concentrate. The gold segment involves the mining and milling of gold.

Cameco's reportable segments are strategic business units with different products, different processes and different marketing strategies.

Accounting policies used in each segment are consistent with the policies outlined in the summary of significant accounting policies.

(a) Business Segments

1999	Nuclear	Gold (Millions)	Total
Revenue	\$ 634.4	\$ 107.2	\$ 741.6
Products and services sold	378.8	50.1	428.9
Depreciation, depletion and reclamation	96.7	40.2	136.9
Exploration	11.4	11.2	22.6
Research and development	2.3	—	2.3
Writedown of mineral properties	—	45.5	45.5
Gain on sale of property interests	(13.1)	—	(13.1)
Other	(1.6)	3.6	2.0
Non-segmented expenses			39.2
Earnings before income taxes	159.9	(43.4)	77.3
Income taxes			(2.7)
Net earnings	\$ 159.9	\$ (43.4)	\$ 80.0
Assets	\$ 2,661.1	\$ 303.0	\$ 2,964.1
Capital expenditures for the year	\$ 199.0	\$ 2.1	\$ 201.1

1998	Nuclear	Gold (Millions)	Total
Revenue	\$ 575.7	\$ 143.2	\$ 718.9
Products and services sold	336.9	63.7	400.6
Depreciation, depletion and reclamation	87.5	39.2	126.7
Exploration	14.8	15.8	30.6
Research and development	2.7	—	2.7
Writedown of mineral properties	16.0	—	16.0
Other	—	9.4	9.4
Non-segmented expenses			40.0
Earnings before income taxes	117.8	15.1	92.9
Income taxes			47.3
Net earnings	\$ 117.8	\$ 15.1	\$ 45.6
Assets	\$ 2,504.3	\$ 434.3	\$ 2,938.6
Capital expenditures for the year	\$ 699.5	\$ 2.8	\$ 702.3

1997	Nuclear	Gold (Millions)	Total
Revenue	\$ 539.7	\$ 103.2	\$ 642.9
Products and services sold	269.8	46.3	316.1
Depreciation, depletion and reclamation	97.8	24.9	122.7
Exploration	14.5	17.5	32.0
Research and development	1.9	—	1.9
Non-segmented expenses			23.2
Earnings before income taxes	155.7	14.5	147.0
Income taxes			65.0
Net earnings	\$ 155.7	\$ 14.5	\$ 82.0

Assets	\$ 1,802.6	\$ 468.1	\$ 2,270.7
Capital expenditures for the year	\$ 276.2	\$ 31.5	\$ 307.7

(b) Geographic Segments	1999	1998 (Millions)	1997
Revenue from products and services			
Canada – domestic	\$ 49.0	\$ 31.6	\$ 39.1
– export	532.1	507.9	491.0
United States	59.1	65.2	32.1
Central Asia	101.4	114.2	80.7
	\$ 741.6	\$ 718.9	\$ 642.9
Assets			
Canada	\$ 2,408.0	\$ 2,278.3	\$ 1,539.6
United States	258.8	267.9	275.4
Central Asia	297.3	392.4	455.7
	\$ 2,964.1	\$ 2,938.6	\$ 2,270.7

(c) Major Customers

Cameco relies on a small number of customers to purchase a significant portion of its uranium concentrates and uranium conversion services. During 1999, sales to any one customer did not exceed 10% of revenue. As customers are relatively few in number, accounts receivable from any individual customer may periodically exceed 10% of accounts receivable depending on delivery schedules. During 1998 and 1997, sales to any one customer did not exceed 10% of revenue.

29. Comparative Figures

Certain prior year balances have been reclassified to conform to the current financial statement presentation.

30. Generally Accepted Accounting Principles in Canada and the United States

The consolidated financial statements of Cameco are expressed in Canadian dollars in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with accounting principles generally accepted in the United States (US GAAP).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(a) Reconciliation of earnings in accordance with Canadian GAAP to earnings determined in accordance with US GAAP.

	1999	1998 (Thousands)	1997
Net earnings under Canadian GAAP	\$ 80,037	\$ 45,644	\$ 81,979
Add (deduct) adjustments for:			
Interest on preferred securities (i)	(16,361)	(3,638)	—
Capitalized interest (i)	16,361	3,638	—
Writedown of mineral properties (ii)	(12,895)	—	—
Depreciation, depletion and reclamation (ii)	645	—	—
Mineral property costs (iii)	(10,108)	—	—
Foreign exchange losses (iv)	—	(12,639)	—
Income tax effect of adjustments	4,640	5,764	—
Accounting for income taxes (v)	—	—	(7,800)
Net earnings under US GAAP	62,319	38,769	74,179
Foreign currency translation adjustments	(3,177)	19,111	16,088
Unrealized gain on available-for-sale security (vi)	10,359	—	—
Comprehensive income under US GAAP	\$ 69,501	\$ 57,880	\$ 90,267
Net earnings per share under US GAAP	\$ 1.09	\$ 0.68	\$ 1.36

(b) Comparison of balance sheet items determined in accordance with Canadian GAAP to balance sheet items determined in accordance with US GAAP.

	1999		1998	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
	(Thousands)		(Thousands)	
Current assets	\$ 588,683	\$ 588,683	\$ 556,631	\$ 556,631
Property, plant and equipment	2,135,843	2,137,622	1,989,011	2,137,944
Long-term receivables, investments and other	175,736	181,958	210,160	210,160
Inventories	63,881	63,881	182,805	182,805
Total assets	\$2,964,143	\$2,972,144	\$2,938,607	\$3,087,540
Current liabilities	\$ 181,391	181,391	\$ 233,353	\$ 233,353
Long-term debt	328,963	505,211	540,116	727,101
Provision for reclamation	103,411	103,411	105,995	105,995
Other liabilities	15,618	15,618	19,052	19,052
Deferred income taxes	412,417	411,199	136,817	278,007
	1,041,800	1,216,830	1,035,333	1,363,508
Shareholders' equity				
Preferred securities	176,248	—	186,985	—
Share capital	683,787	683,787	687,658	687,658
Contributed surplus	490,771	490,771	496,745	496,745
Retained earnings	552,154	538,375	509,326	504,430
Accumulated other comprehensive income				
— cumulative translation account	19,383	32,022	22,560	35,199
— available-for-sale security	—	10,359	—	—
	1,922,343	1,755,314	1,903,274	1,724,032
Total liabilities and shareholders' equity	\$2,964,143	\$2,972,144	\$2,938,607	\$3,087,540

- (c) The effects of these adjustments would result in the consolidated statements of cash flows reporting the following:

	1999	1998 (Thousands)	1997
Cash provided by operations	\$ 247,647	\$ 236,824	\$ 162,106
Cash provided by (used in) investing	\$ 21,984	\$ (697,439)	\$ (324,845)
Cash provided by (used in) financing	\$ (260,628)	\$ 387,359	\$ 257,858

(i) Preferred Securities

Preferred securities are classified as equity under Canadian GAAP and interest payments, on an after tax basis, are classified as distributions of equity. Under US GAAP, the preferred securities are classified as debt and interest payments are included in interest expense. Cameco's policy under both Canadian GAAP and US GAAP is to capitalize interest on expenditures related to construction of development projects actively being prepared for their intended use. Under US GAAP, the interest on the preferred securities, classified as debt under US GAAP, would be capitalized to development properties.

(ii) Writedown of Mineral Properties

Under both Canadian and US GAAP, property, plant and equipment must be assessed for potential impairment. Under Canadian GAAP, the impairment loss is the difference between the carrying value of the asset and its recoverable amount calculated as undiscounted estimated future net cash flows. Under US GAAP, if the undiscounted estimated future net cash flows are less than the carrying value of the asset, the impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value has been calculated as the present value of estimated future net cash flows. The resulting difference in the writedown between US and Canadian GAAP causes a change in the amount of depreciation, depletion and reclamation charged to earnings.

(iii) Mineral Property Costs

Consistent with Canadian GAAP, Cameco defers costs related to mineral properties once the decision to proceed to development has been made. Under US GAAP, these costs are expensed until such time as a feasibility study has confirmed the existence of a commercially mineable deposit.

(iv) Foreign Exchange Losses

Under US GAAP, a foreign currency forward transaction can only qualify as a hedge of a firm foreign currency commitment. Under Canadian GAAP, a foreign currency forward transaction can qualify as a hedge of an anticipated foreign currency commitment. Foreign exchange losses on foreign currency transactions where the transaction was anticipated but not committed have been deducted against earnings for US GAAP purposes.

(v) Income Taxes

Effective January 1, 1999, Cameco has adopted the liability method of accounting for income taxes in accordance with Canadian GAAP [note 16], which is now substantially consistent with accounting for income taxes in accordance with US GAAP. For Canadian GAAP purposes, Cameco has not restated its prior year financial statements.

(vi) Available-for-Sale Security

Under Canadian GAAP, portfolio investments are accounted for using the cost method. Under US GAAP, portfolio investments classified as available-for-sale securities are carried at market values with unrealized gains or losses reflected as a separate component of shareholders' equity and included in comprehensive income. Cameco's investment in Energy Resources of Australia Ltd is classified as available-for-sale. The fair market value of this investment at December 31, 1999 was \$27,923,000 and the unrealized gain was \$10,359,000.

(d) Stock-Based Compensation

Statement of Financial Accounting Standards no. 123, Accounting for Stock-Based Compensation establishes financial accounting and reporting standards for stock-based employee compensation plans. This statement defines a fair value based method of accounting for employee stock options. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by APB Opinion No. 25, which is similar to the method applied under Canadian GAAP and followed by Cameco. Companies that continue to follow the intrinsic value based method must disclose pro-forma earnings and earnings per share information under the fair value method. Cameco has used the Black-Scholes option pricing model to estimate the fair value of options granted assuming an option life of eight to 10 years, risk free interest rates of 6.0% to 6.5%, dividend yields of 1% and volatility factors of 33% to 39%.

If the fair value based method of accounting had been applied, pro-forma net earnings and earnings per share would have been as follows:

	1999	1998 (Thousands)	1997
Net earnings for the year in accordance with US GAAP as calculated above	\$ 62,319	\$ 38,769	\$ 74,179
Effect of recording compensation expense under stock option plans	(3,593)	(4,854)	(4,654)
Pro-forma net earnings after application of SFAS 123	\$ 58,726	\$ 33,915	\$ 69,525
Pro-forma net earnings per common share after application of SFAS 123	\$ 1.02	\$ 0.59	\$ 1.28

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles and, except as described in note 30, conform in all material respects with accounting principles generally accepted in the United States. Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. The most significant estimates are related to the lives and recoverability of mineral properties, provisions for decommissioning and reclamation of assets, deferred income taxes, financial instruments and mineral reserves. Actual results could differ from these estimates. This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements and is presented to assist the reader in interpreting the statements contained herein.

Consolidation Principles

The consolidated financial statements include the accounts of Cameco and its subsidiaries. Interests in joint ventures are accounted for by the proportionate consolidation method. Under this method, Cameco includes in its accounts its proportionate share of assets, liabilities, revenues and expenses.

Cash

Cash consists of balances with financial institutions and investments in money market instruments which have a term to maturity of three months or less.

Inventories

Inventories of broken ore, uranium concentrates and refined and converted products are valued at the lower of average cost and net realizable value.

Supplies

Consumable supplies and spares are valued at the lower of weighted average cost or replacement value.

Investments

Investments in associated companies over which Cameco has the ability to exercise significant influence are accounted for by the equity method. Under this method, Cameco includes in earnings its share of earnings or losses of the associated company. Other long-term investments are carried at cost or at cost less amounts written off to reflect a decline in value that is other than temporary.

Property, Plant and Equipment

Assets are carried at cost. Costs of additions and improvements are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings. Maintenance and repair expenditures are charged to cost of production. The carrying values of property, plant and equipment are periodically assessed by management and if management determines that the carrying values cannot be recovered, the unrecoverable amounts are written off against current earnings.

Non-Producing Properties

The decision to develop a mine property within a project area is based on an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project area are deferred and carried at cost with the intention that these will be depleted by charges against earnings from future mining operations. No depreciation or depletion is charged against the property until commercial production commences. After a mine property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining reserves.

The carrying values of non-producing properties are periodically assessed by management and if management determines that the carrying values cannot be recovered, the unrecoverable amounts are written off against current earnings.

Property Evaluations

Cameco reviews the carrying values of its properties when changes in circumstances indicate that those carrying values may not be recoverable. Estimated future net cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating, capital and reclamation costs. The carrying value of a property is written down to the extent that the estimated future net cash flows, on an undiscounted basis, are less than the carrying value of the property.

Deferred Income Taxes

Deferred income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in rates is included in earnings in the period which includes the enactment date. Deferred income tax assets are recorded in the financial statements if realization is considered more likely than not.

Capitalization of Interest

Interest is capitalized on expenditures related to construction or development projects actively being prepared for their intended use. Capitalization is discontinued when the asset enters commercial operation or development ceases.

Depreciation and Depletion

Conversion services assets, mine buildings, equipment and mineral properties are depreciated or depleted according to the unit-of-production method. This method allocates the costs of these assets to each accounting period. For conversion services, the amount of depreciation is measured by the portion of the facilities' total estimated lifetime production that is produced in that period. For mining, the amount of depreciation or depletion is measured by the portion of the mines' economically recoverable proven and probable ore reserves which are recovered during the period.

Other assets are depreciated according to the straight-line method based on estimated useful lives which range from three to 10 years.

Research and Development and Exploration Costs

Expenditures for applied research and technology related to the products and processes of Cameco and expenditures for geological exploration programs are charged against earnings as incurred.

Environmental Protection and Reclamation Costs

Expenditures relating to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and depreciated depending on their relationship to future earnings. The estimated costs for decommissioning and reclaiming producing resource properties are accrued and charged to operations according to the unit-of-production method. Actual costs of decommissioning and reclamation are deducted against this accrual. Cameco's estimates of reclamation costs could change as a result of changes in regulatory requirements and cost estimates.

Post-Employment Benefits

Cameco accrues for all post-employment benefits over the estimated service life of the employees.

Sales of Products and Services

In accordance with normal industry practices, Cameco contracts for future delivery of mine concentrates and conversion services. Sales revenue is recorded in the period that title passes or, with customer-owned material, when delivery is effected.

Amortization of Financing Costs

Debt discounts and issue expenses associated with long-term financing are deferred and amortized over the term of the issues to which they relate.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end rates of exchange. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at rates in effect at the time of the transactions. The applicable exchange gains and losses arising on these transactions are reflected in earnings.

Foreign currency gains or losses arising on translation of long-term monetary items with a fixed or ascertainable life beyond the end of the following fiscal year are deferred and amortized to earnings over the remaining life of the item.

The United States dollar is considered the functional currency of Cameco's uranium operations in the United States and gold operations in Kyrgyzstan. The financial statements of these operations are translated into Canadian dollars using the current rate method whereby all assets and liabilities are translated at the year-end rate of exchange and all revenue and expense items are translated at the average rate of exchange prevailing during the year. Exchange gains and losses arising from this translation, representing the net unrealized foreign currency translation gain (loss) on Cameco's net investment in these foreign operations, are recorded in the cumulative translation account component of shareholders' equity. Exchange gains or losses arising from the translation of foreign debt and preferred securities designated as hedges of net investments in foreign operations are also recorded in the cumulative translation account component of shareholders' equity. These adjustments are not included in earnings until realized through a reduction in Cameco's net investment in such operations.

Derivative Financial Instruments and Hedging Transactions

Cameco utilizes derivative financial and commodity instruments to reduce exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Gains and losses related to derivatives that are hedges are deferred and recognized in the same period as the corresponding hedged positions. If derivative financial instruments are closed before planned delivery, gains or losses are recorded as deferred revenue or deferred charges and recognized on the planned delivery date.

A derivative must be designated and effective to be accounted for as a hedge. Effectiveness is achieved if the cash flows or fair values of the derivative substantially offset the cash flows of the hedged position and the timing is similar.

Premiums paid or received with respect to derivatives are recognized based on the original hedge designation date.

Per Share Amounts

Per share amounts are calculated using the weighted average number of paid common shares outstanding.

Candu

Canada, Deuterium, Uranium. Canadian designed and built pressure tube nuclear reactor which uses natural uranium as fuel and heavy water (deuterium oxide) as the moderator.

Conversion Factors

Weights and measures are indicated in the unit most commonly used in specific areas of the industry. These are noted with * and conversion factors are provided below.

Take This:	Do This	To Obtain This
*cm	÷ 2.54	= inch
*km	÷ 1.6093	= mile
*oz	x 31.1035	= g
t	x 1.102	= T
*T	x 0.9072	= t
*oz/T	x 34.286	= g/t
*lb U ₃ O ₈	÷ 2599.8	= tU
tU	x 2599.8	= lb U ₃ O ₈
*% U ₃ O ₈	÷ 1.17924	= % U

Dose

Term used to quantify the amount of energy absorbed from ionizing radiation per unit mass.

Enriched Uranium

Uranium in which the content of the isotope uranium-235 has been increased above its natural value of 0.7% by weight. Typical low-enriched uranium for commercial power reactors is enriched in uranium-235 to the range of 3% to 5%. In highly enriched uranium, the uranium-235 has been increased to 20% or more.

In Situ Uranium Leaching

A process involving pumping a solution down an injection well where it flows through the deposit, dissolving uranium. The uranium-bearing solution is pumped to surface where the uranium is recovered from the solution.

Light-Water Reactor

A thermal reactor using ordinary water both as a moderator and as a coolant with enriched uranium as fuel.

Ounce (oz)

All ounces in this report are troy ounces.

Radiation

Radiation occurs naturally. It is a type of energy that travels through space in the form of waves, or particles, which give up all or part of their energy on contact with matter. Radiation can take the form of alpha or beta particles, x-rays or gamma rays, or neutrons.

Radiation Types

Alpha particles do not penetrate matter deeply—they can be stopped by a sheet of paper or a few millimetres of air. The potential hazard from alpha particles is internal from possible inhalation or ingestion.

Beta particles penetrate further than alpha particles but can be stopped by aluminum foil or a few centimetres of wood.

X-rays penetrate flesh, bone and metal. Gamma rays penetrate most deeply and substances which emit gamma radiation can be hazardous inside and outside the body. Protection from X-rays and gamma rays includes shielding by concrete, water and lead.

Neutrons are particles which also penetrate matter deeply. They come from outer space and also occur inside nuclear reactors. Water and concrete are used effectively as shielding in nuclear plants.

Radon

Radon is a naturally occurring, radioactive gas that is produced from the radioactive decay of radium-226, one of the decay products of uranium-238. The primary hazard from radon is its decay products, which are referred to as radon progeny. Radon progeny are short-lived radioactive decay products of radon gas.

Spot Market

The buying and selling of uranium products for delivery within one year.

Spot Market Price

Price for product sold or purchased in the spot market rather than under a long-term contract.

t

Tonne (metric ton)

T

Ton (short ton)

UO₂

Uranium dioxide. Converted from UO₃ at Cameco's Port Hope plant, then compressed to pellets and sintered by fuel fabricators to make fuel for Candu reactors.

UO₃

Uranium trioxide. An intermediate product produced at Cameco's Blind River refinery and used as feed to produce UO₂ and UF₆ at Cameco's Port Hope conversion plants.

U₃O₈

Triuranium octoxide. At Cameco operations, it is in the form of concentrate, often called yellowcake.

UF₆

Uranium hexafluoride. Converted from UO₃ at Cameco's Port Hope plant. Following enrichment, UF₆ is converted to enriched UO₂ suitable for fabrication into fuel for light-water reactors.

Western World Uranium Market

Western world includes Argentina, Australia, Belgium, Brazil, Canada, Czech Republic, Finland, France, Gabon, Germany, India, Indonesia, Japan, Mexico, Namibia, Netherlands, Niger, Pakistan, Philippines, Portugal, Romania, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom and the United States.

Reserves and Resources

Cameco's classification of reserves and resources, and the subcategories of each, conforms to the classification system in proposed National Instrument 43-101 dated July 3, 1998 issued by Canadian Securities Administrators. The following terms from proposed National Instrument 43-101 are used by Cameco in the presentation of resources and reserves in this annual report:

Resources

Resource means a deposit or concentration of a natural, solid, inorganic or fossilized organic substance, other than natural ground water, petroleum, natural gas, bitumen or related hydrocarbons, in such quantity and at such a grade or quality that extraction of the material at a profit is currently or potentially possible. Resources are categorized as follows on the basis of the degree of confidence in the estimate of quantity and grade of the deposit:

- **Measured resource** means the estimated quantity and grade of that part of a deposit for which the size, configuration and grade have been well established by observation and sampling of outcrops, drill holes, trenches and mine workings.
- **Indicated resource** means that estimated quantity and grade of that part of a deposit for which the continuity of grade, together with the extent and shape, are so established that a reliable estimate of grade and tonnage can be made.
- **Inferred resource** means the estimated quantity and grade of a deposit, or a part thereof, that is determined on the basis of limited sampling, but for which there is sufficient geological information and a reasonable understanding of the continuity and distribution of metal values to outline a deposit of potential economic merit.

Reserves

Reserve means that part of a resource which can be legally¹ mined at a profit under specified economic conditions that are generally accepted by the mining industry as reasonable under current economic conditions, demonstrated by at least a preliminary feasibility study based on measured resources and indicated resources only. Reserves are categorized as follows on the basis of the degree of confidence in the estimate of the quantity and grade of the deposit:

- **Proven reserve** means, for the part of a deposit which is being mined or developed or which is the subject of a mining plan, the estimated quantity and grade of that part of a measured resource for which the size, grade and distribution of values, together with technical and economic factors, are so well established that there is the highest degree of confidence in the estimate.

- **Probable reserve** means the estimated quantity and grade of that part of a measured or indicated resource for which the economic viability has been demonstrated by adequate information on engineering, operating and economic factors, with sufficient accuracy to be used as a basis for decisions on further development and significant capital expenditures.
- **Possible reserve** means, where proven and probable reserves have been estimated, the estimated quantity and grade of that part of a measured, indicated or inferred resource that is determined from limited sample data and for which geology, grade continuity and operating parameters are principally based on reasonable extrapolations, assumptions and interpretations.

NOTES

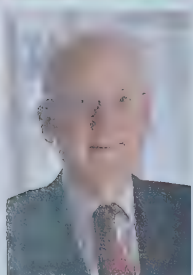
Cameco's reserves include allowances for dilution and mining or in situ leaching recovery. No allowances have been applied to resources. Stated reserves and resources have been calculated based on estimated quantities of mineralized material recoverable by established mining methods. This includes only deposits with mineral values in excess of cutoff grades used in normal mining operations. Cameco's reserves include material in place and on stockpiles. Only reserves have demonstrated economic viability. Cameco reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.

Reserve and resource estimates as presented in this annual report were prepared by or under the supervision of a qualified person, Raymond Jean Francois Chauvet, geological engineer and professional geoscientist, who is director, mining resources and methods at Cameco. Cameco's reserve and resource estimates are extracted from internally generated data or audited reports. No independent verification of Cameco's reserve and resource estimates has been performed.

There are numerous uncertainties inherent in estimating reserves and resources. The accuracy of any reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drilling, testing and production, as well as material changes in uranium or gold prices, subsequent to the date of the estimate may justify revision of such estimates.

¹ In the opinion of Cameco, the term "legally" in the definition of reserves does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, there should not be any significant uncertainty concerning issuance of these permits or resolution of the legal issues.

BOARD OF DIRECTORS



John S. Auston ^{1,5}

West Vancouver, British Columbia
President, Director and Chief Executive Officer,
Ashton Mining of Canada Inc.



Justus Dornier ^{2,3}

Zurich, Switzerland
Nuclear Physicist, Chair,
Trans-Finanz Holdings Ltd.
(financial holding company)



Allan E. Blakeney ^{1,2,3,4}

Saskatoon, Saskatchewan
Former Premier of Saskatchewan



Nancy E. Hopkins ^{1,2}

Saskatoon, Saskatchewan
Lawyer, Partner, Gauley & Co.



Joe F. Colvin ^{3,5}

Annapolis, Maryland, USA
President and Chief Executive Officer,
Nuclear Energy Institute Inc.



Dr. J.W. George Ivany ^{2,4}

Kelowna, British Columbia
Former President and Vice-Chancellor,
University of Saskatchewan



Harry D. Cook ³

La Ronge, Saskatchewan
President, Kitsaki Development Corporation,
Chief, Lac La Ronge Indian Band



John R. McCaig ^{4,5}

Calgary, Alberta
Chair, Trimac Corporation



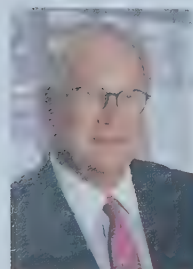
James R. Curtiss ^{3,4}

Brookeville, Maryland, USA
Lawyer, Partner, Winston & Strawn



Bernard M. Michel ¹

Saskatoon, Saskatchewan
Chair, President and Chief Executive Officer,
Cameco Corporation



George S. Dembroski ^{1,4,5}

Toronto, Ontario
Corporate Director



Robert W. Peterson ^{2,5}

Regina, Saskatchewan
President and Chief Operating Officer,
Denro Holdings Ltd.

OFFICERS



Bernard M. Michel

Chair, President and Chief Executive Officer



Gerald W. Grandey

Executive Vice-President



David M. Petroff

Senior Vice-President, Finance and Administration and Chief Financial Officer



Josef Spross

Senior Vice-President, Operations and Chief Operating Officer



Rita M. Mirwald

Senior Vice-President, Human Resources and Corporate Relations



Gary M.S. Chad

Senior Vice-President, Law, Regulatory Affairs and Corporate Secretary

Vision

Cameco is a unique and successful international company.

Our core business is uranium production and the supply of services to the nuclear industry. We are committed to providing, on a long-term basis, outstanding value to our customers.

As an integrated leader in the nuclear industry and a recognized gold producer, we find and develop quality mineral deposits. We achieve excellence in our operations, in the protection of the environment, in the health and safety of our employees and in the development of our human resources. Cameco earns the support of the communities with which it interacts.

Cameco achieves sustainable growth and profitability through ethical business conduct and, by so doing, will continue to be an investment and employer of choice, providing outstanding value to our shareholders and a rewarding workplace for our employees.

Values

Excellence *Cameco pursues excellence in all undertakings. We value people who strive to produce work of the highest quality. We encourage creativity, innovation and an attitude of continuous improvement.*

People *Cameco values the contribution of every employee. We seek strong relationships based on honest communications with employees and their families, customers, shareholders and suppliers.*

Integrity *Cameco seeks to earn the respect of all people with whom it interacts. We inspire trust based on honest, fair and ethical behaviour.*

Environment *Cameco's operations provide a safe human and physical environment. We are committed to exemplary practices that promote the health of employees, safeguard the environment and allow us to return the sites of our operations to their natural conditions.*

FIVE YEAR FINANCIAL SUMMARY

(Dollars are expressed in \$ Canadian millions except prices and per share amounts)

Commodity Market Prices

(annual average)	1999	1998	1997	1996	1995
Uranium (spot price in \$US/lb U ₃ O ₈)	\$ 10.23	\$ 10.32	\$ 12.04	\$ 15.54	\$ 11.46
Gold (market price in \$US/oz)	278.88	294.24	330.98	387.77	384.17

Operations

Revenues	\$ 741.6	\$ 718.9	\$ 642.9	\$ 590.9	\$ 395.3
Earnings from operations	79.3	104.5	151.0	145.3	103.8
Net earnings ¹	71.2	43.7	82.0	137.5	102.1
EBITDA ²	265.1	245.5	265.7	236.8	166.8
Cash provided by operations	249.4	236.8	162.1	177.9	132.5
Capital expenditures	201.1	702.3	307.7	155.4	176.3

Financial Position

Total assets	\$ 2,964.1	\$ 2,938.6	\$ 2,270.7	\$ 1,778.6	\$ 1,667.4
Total debt	359.2	601.4	286.7	200.0	196.5
Shareholders' equity	1,922.3	1,903.3	1,692.2	1,419.7	1,301.7

Financial Ratios

Current ratio	3.3:1	2.4:1	2.0:1	4.2:1	3.6:1
Return on common shareholders' equity	4%	3%	6%	11%	8%
Total debt to capitalization	16%	24%	14%	12%	13%

Common Share Data (per share)

Net earnings	\$ 1.24	\$ 0.76	\$ 1.51	\$ 2.60	\$ 1.95
Cash provided by operations	4.35	4.13	2.98	3.37	2.53
Dividends	0.50	0.50	0.50	0.50	0.50
Book value	30.51	29.77	29.46	26.70	24.84
TSE Market – high	40.50	48.75	60.00	76.25	51.75
– low	20.75	24.05	40.00	50.38	29.50
– close	21.95	27.45	46.40	54.90	50.75
– annual volume (millions)	30.5	24.3	33.0	28.6	26.1
Shares outstanding (millions)					
Weighted average	57.4	57.3	54.4	52.8	52.4
Year end	57.2	57.7	57.4	53.2	52.7

Production

Uranium concentrates (million lbs U ₃ O ₈)	16.8	27.5 ³	19.3	16.6	15.2
Uranium conversion (UF ₆ and UO ₂) (000s tU)	11.2	11.2	12.6	10.1	10.6
Gold (oz)	203,508	244,385 ³	202,454	40,375	31,623
Employees	2,843 ⁴	2,902 ⁴	2,469 ⁴	1,350	1,237

¹ Attributable to common shares.

² Earnings before interest, taxes, depreciation and amortization, writedowns, gains on asset sales and other expenses. A value commonly used in investment analysis.

³ Includes production from Uranerz Exploration and Mining Limited and Uranerz U.S.A. Inc., beginning January 1, 1998.

⁴ Includes Cameco's subsidiaries.

Investor Information

Common Shares

Toronto (CCO)

New York (CCJ)

Preferred Securities

New York (CCJPR)

Transfer Agents

For information on common share holdings, dividend cheques, lost share certificates and address changes, contact:

CIBC Mellon Trust Company

1080-2002 Victoria Avenue

Regina, Saskatchewan S4P 0R7

Phone: (306) 751-7550

Fax: (306) 751-7552

For information on preferred security holdings, interest cheques, lost certificates and address changes, contact:

The Chase Manhattan Bank

Corporate Trust Services

1201 Main Street—18 OMP

Dallas, Texas 75202

Phone: (800) 248-8380 (US only) or

(214) 672-5125

Fax: (214) 672-5873

Annual Meeting

The annual meeting of shareholders of Cameco Corporation is scheduled to be held Wednesday, May 3, 2000 at 1:30 pm at Cameco's head office in Saskatoon, Saskatchewan.

Dividend Policy

The board of directors has established a dividend policy of paying quarterly dividends of \$0.125 (\$0.50 per year) per common share. This policy will be reviewed from time to time in light of the company's cash flow, earnings, financial position and other relevant factors.

Investor Inquiries

Cameco Corporation

Investor and Corporate Relations
Department

2121-11th Street West

Saskatoon, Saskatchewan

S7M 1J3

Phone: (306) 956-6400

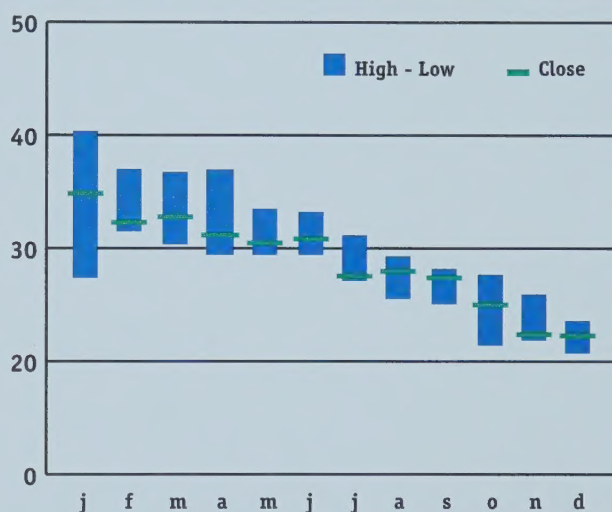
Fax: (306) 956-6318

Printed in Canada, March 2000



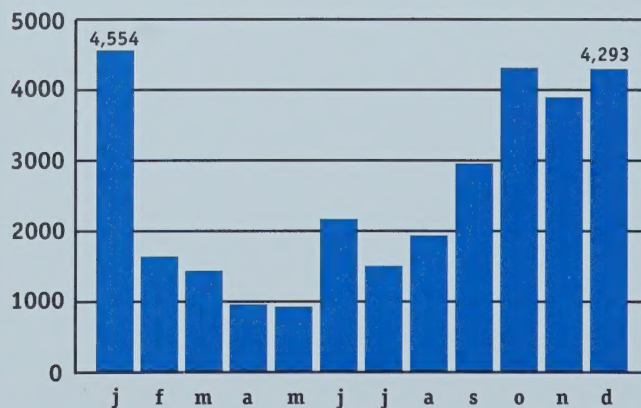
Share Performance (TSE \$/share)

Cameco's share price continues to reflect the general volatility in commodity prices.



Monthly Share Price TSE

Cameco's shares traded between \$21 and \$41 during 1999.



Monthly Share Volume TSE (thousands of shares)

In 1999, 31 million Cameco shares traded on the TSE compared to 24 million in 1998.

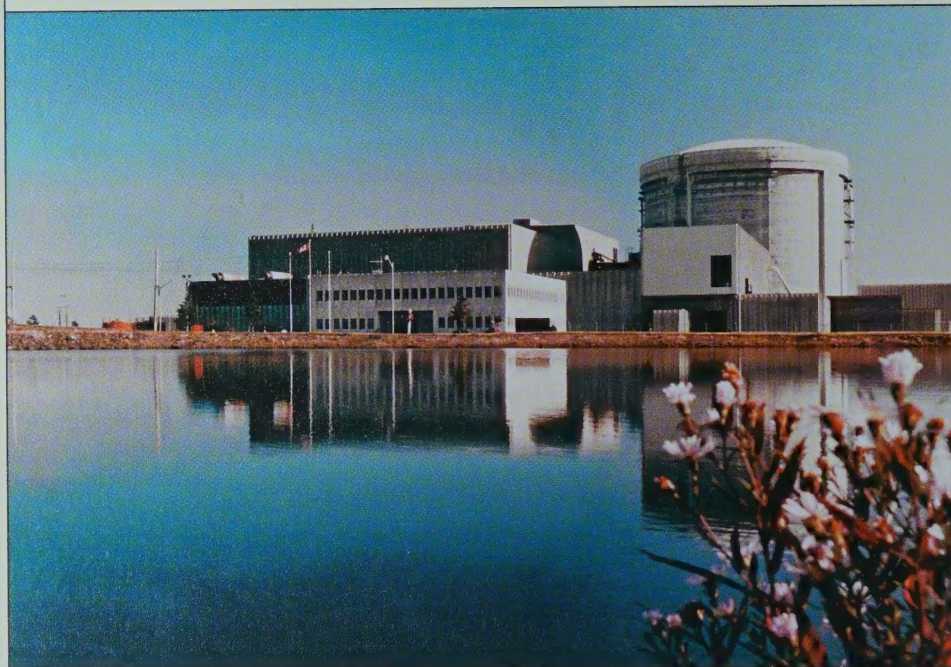
December 31, 1999

Shares outstanding	57.3 million
Market capitalization	\$1.3 billion

FUEL FOR THE FUTURE

Nuclear - the clean air energy.

Without producing any greenhouse gases, nuclear energy generates more electricity today than was produced by all sources combined in 1960.



Point Lepreau Nuclear Generating Station, New Brunswick, Canada

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www.cameco.com*

